

GOVERNMENT OF INDIA



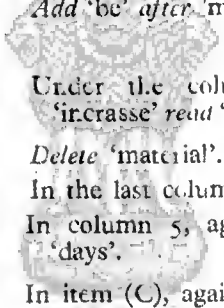
सत्यमेव जयते

**REPORT
OF THE
STORES PURCHASE COMMITTEE**

(MARCH 15, 1955)

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ERRATA

<i>Page</i>	<i>Para</i>	<i>Line</i>	
19	4.4	34	Add full-stop after 'Report'. The next word to start with capital 'R'.
46	7.14	..	In the first statement, against Ad hoc indents under 'Number' below 1952-53 for '2967' read '2067'.
			In the second statement, add '1952-53' at the head of the second column. Under 'Other Major Indentors' add 'Indents' after 'Operational'.
59	8.22	5	For Rs. 20.59 read Rs. 20,59.
71	9.15	6	For 'ot' read 'to'.
83	10.9(i)	2	For 'enquires' read 'enquiries'.
126	14.13(i)	5	Close bracket after 'strength'.
		7	Delete bracket after 'personnel'.
131	14.20 (Sub-para 3)	1	Add 'be' after 'may'.
133	Item 6(a) of the Table.		Under the column 1 (Particulars), for 'incrasse' read 'increase'.
150	Item (132)	2	Delete 'material'.
207	Appendix 10	..	In the last column, for '1, 1' read '1,17'.
212	16	..	In column 5, against Sl. No. 2, delete 'days'.
213	17	..	In item (C), against 'Total', for '1,27*' read '1, 271*'. 
216	Appendix 19	..	In column 1, against Sl. No. 3, for '14' read '14'". In column 3, against Sl. No. 7, for the existing entry read '63-0-0'.
218	20	..	In column 3, against Sl. No. 7, for '27-4-52' read '27-4-53'.
219	22	..	In column 2, against Sl. No. 2, for 'Sprigs' read 'Springs'.
			In column 2, against Sl. No. 15, for 'Sluice Values' read 'Sluice Valves'.
221	..	..	In column 3, against Sl. No. 76 read '2'. In the last line within brackets, for '(S&H' read '(S&D)'.

<i>Page</i>	<i>Para</i>	<i>Line</i>	
225	Appendix 28 (statement II.)	..	In the last column against item (iii), for (16.25%) read (16.28%).
226	Appendix 29	..	For the existing heading of the last column read '1952-53'.
227	Appendix 30 (Table I).	..	In the last column (1954), against Sl. No. 1 add (58.91%).
232	Appendix 38 (Table I).	..	In column 2, against Sl. No. 4, for 'indicators' read 'indentors'.
235	Appendix 42	..	In the 2nd line of the chart, for 'IDG(S)' read 'DDG(S)'. In the Table below DDG(S), under DD (SRC), delete '2-SO' after '4-SO' and insert '2-SO' below DD (I&S), in the same line.
239	Appendix 46	..	In column 5, against Sl. No. 2, add '%' after 14.42.

(There is no page 236.)



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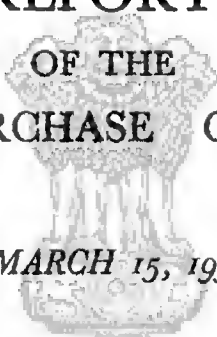
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मन्त्रमिव जघनं

W.H.S. 21
2009



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CHAPTER I

INTRODUCTORY

1.1. Appointment and Terms of Reference.—The Government of India, in the Ministry of Works, Housing and Supply, by their Resolution No. P-3(201), dated the 11th March, 1953—reproduced in Appendix 1—set up a Stores Purchase Committee to examine and report on the working of the Central Purchase Organisation in India, with the following terms of reference:—

- (1) To examine the scope and functions of the Central Purchasing Organisation in India and the extent of delegation of powers necessary for the indenting departments for direct purchases with particular reference to specialised stores and special or emergent demands; and to consider the advisability of utilising the Central Purchasing Organisation for purchases by State-owned industrial enterprises and important River Valley and other Projects.
- (2) To examine the organisation of the Central Purchasing Agency and to consider reorganisation, that may be necessary, including the extent of powers, provision of adequate and suitable personnel to man the organisation, scales of pay, service conditions, technical qualifications of the staff, etc., with a view to secure greater efficiency.
- (3) To consider the manner of determination of Government demands and the authorities at appropriate levels competent for approving such demands, rationalised planning, provisioning and indenting of stores and screening and processing of such demands and the procedure for the communication of sanctions and contracts to Audit.
- (4) To examine the procedure and methods of purchase, progressing of deliveries and payment of bills with special reference to avoidance of delays and achieving better results in respect of quality and economy.
- (5) To examine the procedure of inspection of stores by various agencies and to suggest general improvements, including simplification and rationalisation of procedure.
- (6) To examine the working of the stores purchasing system in relation to assistance to articles of Indian manufacture and encouragement to small scale and cottage industries.

- (7) To examine whether any modifications are required in the general conditions of contract, in particular whether the Arbitration procedure now in force in the Supply contracts is suitable.
- (8) To examine the policy, procedure and method of disposal of surplus stores with particular reference to their utilisation against Governmental requirements.
- (9) To examine any other matters considered to be relevant to this enquiry.

1.2. Late Shri S. N. Buragohain and late Shri N. M. Buch.—We wish to place on record our sense of serious loss at the sad and untimely demise of our first Chairman, Shri S. N. Buragohain, and Shri N. M. Buch, a Member of the Committee, and our deep appreciation of the work done by them. On the 3rd October, 1953, when the Committee was on tour in Calcutta, Shri S. N. Buragohain developed an acute attack of appendicitis and passed away the next day in hospital. His grasp of the purchase problems and his indefatigable energy have been invaluable to the committee. Shri N. M. Buch agreed to continue his membership even after his transfer to Bombay as Director General, Shipping, Ministry of Transport; his intimate knowledge of the working of the Central Purchase Organisation proved very valuable to the Committee while submitting its Interim Report.

1.3. Changes in composition.—Shri G. B. Kotak, M.L.A., Saurashtra (formerly Finance Minister of the State), took over the Chairmanship of the Committee on the 18th of December, 1953. Further changes in the composition of the Committee were necessitated by departmental transfers. Shri M. P. Pai resigned his membership, as it was not possible for him to devote sufficient time to this work on account of his new assignment with the Andhra State; Shri K. R. P. Aiyangar was replaced by Shri S. Ratnam due to departmental changes; and Shri M. R. Sachdev, on his appointment as the Director General of Supplies and Disposals, joined the Committee but was subsequently replaced by Shri V. N. Rajan, the present Director General. We would like to place on record our appreciation of the valuable services rendered by Sarvashri M. R. Sachdev, M.P. Pai and K. R. P. Aiyangar to the Committee.

1.4. Scope and method of enquiry.—There has been no comprehensive review of the activities of the Central Purchase Organisation since the inception of the Indian Stores Department in 1922. Adequate statistics are also not being maintained. This, coupled with the very wide scope of our terms of reference, made our task particularly difficult and prolonged. Apart from examining the working of the central agency for procurement of Government requirements inclusive of its procedure and personnel, we had to conduct, according to our terms of reference, inquiries into the procedure for determination of demands, co-ordination between different purchase organisations in India and abroad, the sphere of the activities of the Central Purchase Organisation, the development of indigenous industries through purchases, the procedure of

inspection, method for disposal of surpluses, conditions of contract, delays in payment of bills and several other cognate matters. Furthermore, all the Members of the Committee had their regular official duties in addition to their work on this Committee and it was not always practicable for them, therefore, to meet as often as was necessary.

1.5. The first session of the Committee was inaugurated on the 19th of March, 1953, by Shri C. D. Deshmukh, the Finance Minister in the presence of Ministers, Secretaries and Heads of Departments concerned. A comprehensive Questionnaire was drawn up and issued early in May, 1953, to the Government Purchase Agencies and other authorities including the Accountant-General, Food, Rehabilitation & Supply, Indenting Departments, Industrial & River Valley Projects, State Governments, as well as the All-India 'Handloom', 'Handicrafts' and 'Khadi & Village Industries' Boards. A copy of the Questionnaire is printed as Appendix 2. Copies of the Questionnaire were also sent for views and comments to representatives of Trade and Industrial Associations, Members of Parliament and non-officials known for their interest on the subject. Statistics in regard to delays in supplies, payment of bills and other items listed in Appendix 3 were called from the Directorate General of Supplies & Disposals and the Accountant-General, Food, Rehabilitation & Supply. It is gratifying that the response to the Questionnaire was generally prompt and satisfactory. The names of parties who responded to our Questionnaire will be found in Appendix 4.

1.6. While awaiting replies to the Questionnaire, we visited some of the important indenting, purchase, inspection and disposal offices at Delhi, Calcutta, Bombay and Poona, to acquaint ourselves firsthand with the practice and procedure followed by them. We also visited the Government Test House at Alipore. The Reports of the Regional Committees set up earlier by the Ministry of Works, Housing & Supply, on the working of the India Store Department, London, and the India Supply Mission, Washington, were also examined by us during this period.

1.7. On analysing the answers furnished to our Questionnaire and the views and comments received, it was considered desirable in certain cases to seek elucidation through personal discussions. We, therefore, invited about 200 persons for an exchange of views. The list of persons who appeared before the Committee is at Appendix 5. For their convenience, meetings of the Committee were also held at Calcutta, Bombay, Madras and Kanpur. This also gave us opportunities to examine the working of certain local organisations.

1.8. We divided ourselves into two Sub-Committees to examine in detail the individual issues involved. We have had the advantage of extensive discussions with some of the officers of the Directorate General (S&D) as well as with the indenters' Liaison Officers attached to the department. We have also examined typical cases in the Directorate General (S&D) where serious delays in procurement action had occurred. A list of visits and meetings is at Appendix 6. In all, we held over 200 meetings.

1.9. In this Report, the Directorate General of Supplies and Disposals is referred to as the Central Purchase Organisation. We are, however, aware that the Ministry of Food & Agriculture, the Railway Board, the Controller of Printing & Stationery and a few other agencies also arrange purchases of certain stores on a centralised or semi-centralised basis. We did not study the working of these organisations specially, but we feel that our recommendations would generally apply to all the Government Purchase Agencies in the country.

1.10. **Interim Report.**—In view of the length of time which we expected it would take us to submit our Final Report, we considered it desirable to present in a brief form an Interim Report on certain basic conclusions reached during the earlier stages of our deliberations, so that the Government could start in advance inter-departmental consultations for immediate examination and early implementation of some of our major recommendations. The ***Interim Report** was submitted on the 15th of May, 1954; its contents have been incorporated in this Final Report.

1.11. **Lay-out of the Report.**—In considering the lay-out of this Report, we have proceeded on the assumption that the great mass of the material we have collected is already available to the Government in one form or another. In the Report, therefore, we have drawn attention only to such facts as are necessary and relevant to our conclusions. In the second chapter, we have briefly reviewed the growth of the Central Purchase Organisation and its present working as a background to what is stated later. The structure of the rest of the Report follows generally our terms of reference. In Chapter III, we have discussed the scope and functions of the Central Purchase Organisation. One of the major drawbacks in the present working of the Directorate General of Supplies and Disposals is that it is working in isolation. In order to ensure proper liaison with indentors and industry, we have recommended establishment of a high-power 'Purchase and Development Board' with a non-official Advisory Council in Chapter IV. Chapter V deals with various aspects of assistance to industry through Governmental purchases. Chapter VI has been devoted to a consideration of the purchase of imported stores in India. In the same chapter, we have dealt with the major recommendations made by the two Regional Committees appointed earlier by the Government for reviewing the organisation and working of our Purchase Missions abroad. The various factors affecting the determination and planning of Government demands have been analysed in Chapter VII. In Chapters VIII and IX, we have discussed the policy and procedure for purchases in two parts—Part I deals with issues of general interest and Part II with those of interest mainly to the Purchase Organisation itself. We have devoted Chapter X to an examination of the various causes tending to delays in supplies about which indenting departments have made serious complaints. The main criticism from the commercial community is in regard to delays in payments and what it considers to be one-sided nature of some of the General Terms and Conditions of Government contracts; these subjects are considered in Chapter XI. In Chapter XII, we have dealt with the principal issues in regard to

The Interim Report has been printed separately.

inspection of stores. The policy and procedure regarding disposal of surpluses is examined in Chapter XIII. The question of organisational set-up, personnel, powers, etc., for the Directorate General (S. & D.) is considered in Chapter XIV. In the concluding Chapter XV, we have given a brief summary of our main recommendations. At the end there are Appendices which have been referred to at appropriate places in the body of the Report.

1.12. Acknowledgements.—We cannot conclude this chapter without expressing our gratitude to Shri P. C. Bhattacharyya, Financial Commissioner (Railways). Throughout our deliberations, he has actively participated in the discussions and we have freely drawn on his wide knowledge and experience of the problems involved in this enquiry. His judgement has been invaluable to us in arriving at our conclusions. We are also thankful to the Members of Parliament as well as to the representatives of the various Commercial and Industrial Associations in the country and also other non-officials who gave very valuable evidence. Thanks are also due to the Comptroller and Auditor-General of India and officers of the Directorate General of Supplies and Disposals, Ministry of Defence, Ministry of Railways and other Government Department for the co-operation extended to us.

We are greatly indebted to our Secretary, Shri D. P. Karnik, whose intimate knowledge of the working of the Central Purchase Organisation has been of considerable assistance to us in our deliberations. We wish to record our appreciation of his initiative and energy in presenting a voluminous mass of material in an orderly manner, thereby considerably facilitating the work of the Committee. We also wish to record our appreciation of the hard work of the other officers and staff attached to him.

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CHAPTER II

CENTRAL PURCHASE ORGANISATION—HISTORY AND REVIEW OF CURRENT WORKING

(A) RETROSPECT

2.1. Origin of the Indian Stores Department.—It will be helpful to begin our study with a quick review of the evolution of the Central Purchase Organisation—the Directorate General of Supplies and Disposals—and the main criticism of its present working. The concept of the system of centralised purchase may be traced as far back as 1860 when the India Store Department was established in London for purchase of imported stores. The idea, however, was not applied to purchase of indigenous products for another fifty years. As a result of scarcity conditions brought about by World War I, the Indian Munitions Board was established in January, 1917, with the object of controlling purchases and expanding indigenous manufacture of Defence stores. In May, 1918, the Army Headquarters created a Contracts Directorate for the procurement of general stores required by the Army. Civilian demands, however, continued to be purchased departmentally for a few years more. The need for a centralised system of procurement of all Government requirements, essentially with a view to establish local manufacture, was first stressed by the Indian Industrial Commission (1918). The Commission held that “in the interest of indigenous industry, a radical change should be made in the methods of purchasing in India, government and railway stores”, and added that “no decision can be reached regarding the precise organisation which should be employed, or the degree of centralisation which it is desirable to adopt, until the whole question has been examined in detail by a small expert committee..”. This led to the appointment of a Stores Purchase Committee in the year 1919 under the Chairmanship of Mr. F. D. Couchman, Member, Railway Board. This Committee found that “the local officials are at present greatly handicapped for want of information regarding, and facilities for using the existing Indian resources, owing to the absence of a central authority....”, and recommended unanimously “establishment of an expert purchasing agency in India equipped with facilities for knowing the manufacturing resources throughout the country, able to purchase efficiently in the various markets in India and competent to carry out such inspection as may be necessary”. The Government of India accepted this recommendation, and in January, 1922, established at Delhi under the Department of Industries a Central Purchase Agency styled as the ‘Indian Stores Department’. This Department was from time to time made increasingly responsible for purchases for the Government’s Civil departments while the Contracts Directorate effected purchases for the Army except in regard to a few common-user items which were transferred to the Indian Stores Department.

2.2. Scope and Functions.—To begin with, the Indian Stores Department met with a good deal of opposition from the various indenting departments who were reluctant to hand over their purchases to an outside agency. Financial stringency was yet another

obstacle; in fact, the Retrenchment Committee (1922-23) presided over by Lord Inchcape recommended abolition of the Department within a year of its existence! However, in view of the larger interests of economy in purchases and industrial development of the country, the Government decided to continue the department with the following functions:—

- (a) To act as a purchasing and inspection agency and in an advisory capacity on all matters connected with the purchase of stores on behalf of all Departments of the Central Government and the minor local Administrations and of such major local Governments, State Railways, Railways worked by Companies, Corporations, Port Trusts, Municipalities and similar *quasi*-public bodies and Indian States as may desire to avail themselves of its services.
- (b) To scrutinize purchases from outside India, either by indent on the Director General, India Store Department, London, or otherwise, with a view to ensure attention to the encouragement of Indian industries and to prevent, so far as possible, purchases of stores from outside India, when goods of suitable quality are obtainable in accordance with the provisions of the Rules for the supply of articles required for the public service.
- (c) To inspect stores purchased direct by such Government Departments, Company Railways, *quasi*-public bodies, Indian States and private parties in India as may desire to avail themselves of the facilities offered by the Department.
- (d) To carry out laboratory tests, analyses, etc., on behalf of the authorities referred to in the preceding clause.
- (e) To draw up for the approval of Departments which effect purchases through the agency of the Stores Department, specifications of the various classes of stores in demand and, if so desired, to advise and assist Departments which make their own purchases in the preparation of specifications and the standardisation of patterns.
- (f) To act as a central bureau of information on all matters affecting the purchase of stores, and their prices, particularly with reference to Indian manufactures.

2.3. Early years.—In the early years, the clientele of the Indian Stores Department was limited; the volume of purchases was also small. Both improved later. In 1922-23, the number of authorities utilising the services of this agency was 22 (purchases: Rs. 165 lacs) which rose to 152 (purchases: Rs. 267 lacs) in 1925-26 and to 249 (purchases: Rs. 429 lacs) in 1930-31. These nine years marked the gradual transfer of the responsibility for purchase of several stores from the indenting departments to the Central Purchase Organisation. The Army authorised the Indian Stores Department to purchase on its behalf textile goods as well as plant and machinery and several other items required by the Military Engineer Services. The Railway Board issued instructions to the State-managed Railways to

arrange procurement of specified classes of stores through the Central Purchase Organisation and also requested the Company-managed Railways to do so. Meetings were convened twice a year between the Railway Board and the Indian Stores Department for transfer of additional items of railway stores to the Central Purchase Organisation. Other Civilian Departments of the Central Government were directed by the Government of India from time to time to utilise in increasing measure the services of the Indian Stores Department for purchase of their requirements for specified classes of stores.

2.4. In 1931, a Retrenchment Advisory Committee of the Central Legislature was appointed which *inter-alia* examined the working of the Indian Stores Department and observed that "broadly speaking the department has established its reputation for economical purchase and expert inspection.....the time has now come for the Government to issue definite orders that all stores, other than those of specially technical nature, required by the Government of India, should, in future, be purchased through the Indian Stores Department". Since then, till about the outbreak of World War II, the Department continued to develop, making larger purchases as may be seen from the statistics in Appendix 7. In 1938, the control of the organisation was transferred from the Department of Industries and Labour to the Department of Commerce.

2.5. **Development during World War II.**—The War years marked several stages of transformation for the Indian Stores Department. Late in the year 1939, a full-fledged Department of Supply was established to look after the heavy purchases of War requirements, including indents from the United Kingdom Government and Governments of other allied countries. The Contracts Directorate working under the Defence Department was transferred to this Department. In April, 1940, the Indian Stores Department was also brought under the control of the Department of Supply. Immediately thereafter, the Indian Stores Department (as also the Contracts Directorate) was split up into two units; one unit was attached to the newly formed Directorate General of Munitions Production, Calcutta, for purchase mainly of engineering stores and the other to the Directorate General of Supply, New Delhi, for purchase of other stores. In addition to the Purchase and Inspection Wings, these two organisations were supported by Planning Directorates which were set up to plan production and develop capacity in full liaison with trade and industry. After July, 1941, the Contracts Directorate and the Indian Stores Department ceased to exist as separate entities; their functions were integrated and brought under the charge of two Chief Controllers of Purchase—one at Calcutta and the other at Delhi. At about this time, various controls and priorities began to be introduced and additional items of stores came to be transferred to the Central Purchase Organisation for procurement. The purchase activities expanded manifold and the establishment also greatly increased. In May, 1942, the Inspection Wing was transferred to the Controller General of Inspection under the Defence Department. On the creation of the office of the Textile Commissioner at Bombay in October, 1942, the purchase of cotton textiles was entrusted to that office. Procurement of medical stores, which till then was the responsibility of the Directorate General, Indian Medical Services, was transferred to the Central Purchase Organisation in 1943.

In November, 1943, a small Disposals Section was created with the Directorate General of Supply at Delhi for looking after disposal of Defence surpluses. Two years later, a separate office styled as the 'Directorate General of Disposals' was created to take care of the disposal of heavy War surpluses.

2.6. Post-war changes.—On the termination of the War, purchases were considerably reduced necessitating reduction in the organisation. A new Department of Industries and Supplies was formed integrating the Departments of 'Supply' and 'Industries and Civil Supplies'. In 1946, the two main offices of the Directorate General of Munitions Production, Calcutta, and the Directorate General of Supply, Delhi, were merged into one unit at Delhi; the Planning Directorates were converted into a Development Wing; and the Civilian Inspection Organisation was brought back—all on a considerably reduced scale—and the Department was re-styled as the 'Directorate General of Industries and Supplies'. On the formation of separate Ministries for 'Commerce and Industry' and 'Works, Production and Supply' in February, 1951, the Development Wing was segregated and attached to the former and the 'Supply' and 'Inspection' Wings to the later. At the same time, the Disposals Organisation lost its entity and came under the control of the then Director General of Supply who was re-designated as the 'Director General of Supplies and Disposals'. As a result of the re-organisation of the Ministries in May, 1952, the administrative control of the Directorate General of Supplies and Disposals was transferred to the Ministry of Works, Housing and Supply. The portion of the Office of the Textile Commissioner, Bombay, which dealt with purchases of cotton textiles was also merged in the Directorate General of Supplies and Disposals in November, 1953.

(B) WORKING OF THE DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS

2.7. Prior to 1946.—It must be said to the credit of the Indian Stores Department, which ceased to exist as such in 1941, that there was little or no criticism against the working of that organisation. The utility of the Central Purchase Organisation induced indenting departments to entrust more and more of their purchases to this outside agency. The volume and complexity of purchases made then were, however, nothing like what they are to-day. During World War II, the Supply Department rendered invaluable service. In the realm of industrial development the contribution of the Central Purchase Organisation before and during the War was significant.

2.8. Present-day working.—A view has been expressed before us that the efficiency of the Central Purchase Organisation has considerably deteriorated since the War and to-day it stands at the lowest ebb. We have received many adverse comments from indenting departments regarding inordinate delays in supply of stores and from the commercial community regarding dilatory and unbusiness-like methods adopted by the organisation and the trouble and delay in getting payments. It has been urged that the Department has outlived its utility and is far too unwieldy to function efficiently; the calibre of its personnel is poor, its purchase procedure cumbersome and there is all-round lack of initiative and drive so essential for the effective discharge of its functions. The critics feel that the net result of all this is 'DELAY'; delay in technical scrutiny of indents, in bulking of demands, in issue of enquiries, in consideration of tenders, in placing of contracts, in issue of import licences, in arranging

supply of controlled raw materials, in fabrication of stores, in progressing deliveries, in testing samples, in inspecting stores, in despatch of goods, in settlement of claims, in issuing amendments to contracts, in payments, in refund of security deposits, in adjustment of departmental debits and so on. Some of them are also not satisfied with the quality of stores supplied and doubt whether the chief objects of a centralised system of purchase, viz., economy in purchases and development of industries in the country, are at all being achieved and whether the time has not come to de-centralise Government purchase activities for ensuring better results. It has also been urged that even if there is some economy in purchasing stores through a central organisation, such economy is more than offset by the extra expense to which Government is put due to delays in supplies.

2.9. Shroff Committee's Report (1951).—The post-war working of the Central Purchase Organisation (the Directorate General of Supplies and Disposals), particularly in regard to delays in supplies, has also come in for severe criticism in the Report of the Railway Stores Enquiry Committee (1950-51), presided over by Shri A. D. Shroff. In the words of the Report: "The extent of delays has been so serious that in a number of cases railways have brought to our notice the risk they have run in maintaining continued operation. . . . One of the most serious deficiencies of the I & S. Organisation to-day is the lack of adequate personnel of requisite technical competence. This deficiency, in our view, is to a large extent responsible for the inefficient handling of procurement of railway stores. . . . Firms have had to wait for months for obtaining import licences, and in a number of cases railways were informed by the I. & S. several months after the placing of orders that supplies were not forthcoming due to the inability of the firms to obtain import licences. This is easily explained by the absence of any effective chasing machinery in the I. & S. for assisting firms to obtain import licences. . . . In our opinion, whilst commercial experience in Purchasing Officers is an essential prerequisite, we feel that the efficiency of Purchasing Officers would be considerably enhanced if they also had specialised knowledge of the working conditions on railways. As a matter of fact, we would wish to lay stress that it is the absence of knowledge of this character, on the part of the Purchasing Officers of the I. & S. that is very largely responsible for the unsatisfactory handling of railway stores procurement by them. . . . We feel that owing to the dilatory and indecisive manner in which the I. & S. work, opportunities for securing materials in short supply are allowed to be lost involving additional cost to the railways and causing serious inconvenience to them. . . . The procedures employed in the I. & S. Organisation starting from the registration of indents, processing of indents, issue of tenders, and acceptance of tenders involve so much expenditure of time that the manufacturers are naturally left guessing as to when the orders are likely to materialise. . . . We have come to the definite conclusion that the existing situation cannot be set right unless the present arrangements for obtaining supplies are radically modified".

2.10. Shortcomings and handicaps.—On the other hand, we are informed that immediately during the post-war period the department had to face unprecedented problems in liquidating War contracts and meeting the situation created by the partition of the

*This is now known as the Directorate General of Supplies & Disposals.

country and that it still continues to labour under certain handicaps. For example, it is said that the staff is not adequate and their service conditions are not conducive to efficiency; additional checks and counter-checks, rules and regulations—administrative as well as financial—have left little initiative to individuals who have to follow an involved procedure for purchases; indentors observe no time-table for placing demands, often indent particulars are incomplete and indent estimates and deliveries unrealistic; certain basic materials like iron and steel are still in short supply; suppliers are not always responsive; testing houses are over-worked; consignees do not co-operate in furnishing receipt certificates; etc. Some of the shortcomings on the indentors' side have been endorsed in the Report of the Railway Stores Enquiry Committee which says: "It is the failing of most railways that whilst indenting on the I. & S. they sometimes ask for deliveries which, in the prevailing circumstances, are impracticable. . . . The responsibility for a part of the delay attributed to the I. & S. both in covering indents and consequently in stipulated deliveries must be laid at the doors of the railways inasmuch as the specifications and particulars given in the indents are not complete and unnecessary loss of time is occasioned by references to and fro. . . . Similarly, the practice followed by most railways regarding indicated prices in the indents results in causing undue delays as the prices indicated have little relation to the actual market prices".

2.11. We have taken into account these and similar criticisms against the Central Purchase Organisation, as well as against indenting departments and suppliers. It is clear that there are delays in the present-day procurement. For some of these, the indentors themselves are responsible; for others, the responsibility is mainly that of the Central Purchase Organisation, and in some cases, the suppliers. We have explained in the next chapter why we have arrived at the conclusion that the Central Purchase Organisation should continue. Bearing that in mind, our objective has been to suggest ways and means whereby all avoidable delays can be eliminated and the Central Purchase Organisation made into an effective instrument for economical and speedy procurement of supplies as well as for accelerated development of indigenous industries.

CHAPTER III

SCOPE AND FUNCTIONS OF THE CENTRAL PURCHASE ORGANISATION

3.1. Advantages of centralised purchases.—The non-official evidence we have taken, representing the views of the main commercial and trade interests in the country, has not only pressed for the continuance of the existing Central Purchase Organisation but has also pleaded for the expansion of its scope and functions. Further, from the Government's point of view also, the need for such an organisation is obvious. 'Purchase' is an art and requires specialised training and knowledge. Neither the interests of economy, nor of efficiency, justify each department of Government having its own purchase and inspection organisation.

3.2. It is essential to have a wide knowledge of industrial resources in the country—existing as well as potential—in order to be able to encourage and develop the indigenous industry, as well as cottage and small-scale industries. This cannot be achieved by departments individually and was so recognised as early as 1919-20 by an earlier Stores Purchase Committee. Further, as stated earlier, the Committee found that the manufacturing resources of the country were not fully utilised by Government departments. Their considered opinion was in favour of establishment of an expert Central Purchasing Agency in India. Consequently, the Indian Stores Department was set up in 1922, as a step taken towards the industrialisation of the country. Government purchase has a vital bearing on the industrial development of the country. The Central Purchase Organisation will have a considerable knowledge of the industrial capacity and the potential resources of the country. It could, therefore, be a potent instrument for the development of indigenous industries. It could explore the possibilities of inducing the manufacturers to produce new articles for the requirements of the Government, which are at present imported. It will also be in the best position to bulk the demands of the Government and place them economically according to the various manufacturing capacities in the country. The Central Purchase Organisation will ensure uniform and effective implementation of Government's purchase policy, like giving price preference, allowing quality relaxations, reserving specified items for purchase from cottage and small-scale industries, etc. It will be difficult to ensure the benefits accruing through standardization and co-ordination of requirements without a strong central organisation. In our opinion, a Central Purchase Organisation which brings within its scope, as much as practicable, the purchases of the various departments of the Central Government, the quasi Government Institutions, State-owned Companies, Statutory Corporations and State Governments, will occupy a key position in the economy of the country and have a vital role to play in the successful execution of the quinquennial plans of the Government of India.

3.3. Scope and functions.—The existing Central Purchase Organisation, *viz.*, the Directorate General of Supplies and Disposals should, therefore, continue. Further, although at present certain specialised stores peculiar to the requirements of individual departments are being purchased by the departments themselves, these purchases should progressively be transferred to the Central Purchase Organisation. Such transfers should take place as and when the 'Purchase and Development Board', recommended in the next chapter, considers that the Purchase Organisation has become effectively equipped to handle a larger volume of purchases, including specialised items. Until then, the *status quo* in regard to such purchases may continue. We expect that, if the recommendations of the Committee are properly implemented, this process of transfer should be completed within a period of three years.

3.4. We also recommend that purchases for autonomous bodies like the Central Government's Statutory Corporations, Companies and Boards should, as a rule, be made through the Central Purchase Organisation. For this purpose, necessary amendments to the existing Statutes, Articles of Association, etc., of the Government Corporations and Companies, should be carried out. This recommendation should not, however, preclude such bodies or other Government production units like Ordnance Factories or Railway Workshops, from making direct purchase of spare parts not covered by Rate/Running Contracts concluded by the Directorate General of Supplies and Disposals. Where, however, there is a recurring demand for spare parts, the production unit or project should request the Directorate General of Supplies and Disposals to arrange supplies of such spares, if possible by means of a Rate/Running Contract. Other exceptions may also be agreed to between such organisations and the Directorate General (S & D) where it would be in the interest of maintenance of production that direct purchases need be made and where considerations of bulking, etc., do not arise. One such exception may be the basic raw materials required by production units where a close watch has to be maintained on the regularity and rate of supplies.

3.5. We further recommend that, to co-ordinate development of Indian industries, necessary action should be taken by Government to persuade Port Trusts and the larger Municipal Corporations to make their purchases of imported stores through the Central Purchase Organisation. We also recommend that State Governments too should be persuaded to make their purchases of imported items through the Directorate General (S & D). State Governments already make use of the Rate/Running Contracts of the Directorate General (S & D) in many cases; they may with advantage increasingly use the Central Purchase Organisation for imported stores. In regard to purchases of plant, machinery, etc., required for the execution of State Projects which are financed through loans granted by the Government of India, it should be arranged as a condition for the grant of such loans in future that the purchase of all machinery, etc., of any substantial value should be made through the Directorate General (S. & D.).

3.6. Exceptions.—In making these recommendations, we are not unaware of the criticism levelled against the Central Purchase Organisation. Mainly, the criticism relates to the delays which take

place in receipt of stores by consignees when purchases are made through such an organisation. Every effort should, therefore, be made to improve the efficiency of the organisation and to ensure that it gives satisfaction to its customers. Elsewhere in the Report, we are indicating broadly the lines on which such improvement might be brought about. But even after all possible steps have been taken, some delay is inherent in the system. It is, therefore, all the more desirable that the Directorate General of Supplies and Disposals should not be burdened with certain types of purchases where the advantages of central purchasing are not so significant, or where purchases of small quantities are to be effected. We, therefore, consider that:—

- (i) The existing powers of direct purchase of all departments should continue. The Railways, the Posts & Telegraphs and the Defence Departments should be authorised to make direct purchases upto the value of Rs. 10,000 in each case.
- (ii) The indenting departments should continue to exercise their existing powers of purchase of stores in emergencies when the non-acquisition of the article concerned is likely to hold up work, such purchase being limited to the quantity required to tide over the emergency.
- (iii) Departmental purchases may continue where the intervention or assistance of a foreign Government, or negotiation with such a Government, is necessary before the supply can be procured. The Defence Department may continue to be responsible for the purchase of arms and ammunition.
- (iv) Departments entering into Technical Assistance Agreements with foreign manufacturers or consultants for manufacture in India of imported products under Government auspices may, during the currency of the Technical Assistance Agreements, make direct purchases of such products or 'bought-out' components for such products through the foreign manufacturers or consultants.

3.7. Industrial Enterprises and major Projects.—It has been represented to us that during the construction period, the higher costs resulting from delays in the construction of projects caused by late receipt of stores ordered through the Central Purchase Organisation more than offset any advantages which may accrue through the system of centralised purchases. There is considerable force in this view and as these demands are of a non-recurring nature, there is less objection to direct purchases. While recognising that cases of this kind will arise, we have found some difficulty in precisely defining them. The main justification for allowing direct purchase in such cases would be that, if such direct purchase is not allowed, difficult questions of co-ordination as between the various stages in the execution of the project will arise, which may result in delays.

In our opinion, the question of direct purchases for such major projects should be referred to the Purchase and Development Board, which should, in difficult cases, authorise direct purchase by the indenter concerned. We, however, recommend that, during the construction period, an industrial or river-valley project may be authorised to purchase its requirements directly, provided it has a properly organised purchase unit which should normally be strengthened by one or more experienced purchase officers deputed by the Directorate General of Supplies and Disposals. Such direct purchases should exclude items covered by the Rate/Running Contracts of the Directorate General (S & D). The project authorities should, at the same time, establish close collaboration with the Directorate General (S & D) so that items which may be required by more than one project and can, therefore, be purchased more economically by the Directorate General (S & D) by bulking, or any other items which they consider can with advantage be dealt with by the Directorate General (S & D), should be purchased through the Central Purchase Organisation.

3.8. Construction Contracts.—In construction contracts, procurement of several items of general stores, e.g., building hardware, steel doors and windows, paints and varnishes, cement, sanitary-ware, pipes and fittings, etc., is usually left to the building contractor as they form an integral part of civil engineering construction. Sometimes, certain machinery items like air-conditioning units are also left to the building contractor for procurement under what are known as 'supply and fix' contracts. Occasionally, however, indenting departments seek the assistance of the Central Purchase Organisation. It has been suggested that such items could with advantage be obtained through the Central Purchase Organisation and that this would at the same time ensure a more effective compliance of Government's policy of preference to indigenous products. We fear that such a procedure might cause delay in completion of construction work and, therefore, recommend that indenting departments may be allowed to enter into contracts permitting procurement of such stores by the contractors themselves. Indenting departments should, however, make necessary provision in such contracts to ensure that, unless unavoidable, only indigenously manufactured articles are used in construction works. Wherever possible, contractors should also be encouraged to utilise stores which indenting departments can procure for them against the Rate/Running Contracts concluded by the Central Purchase Organisation.

3.9. Iron and Steel.—Most of the categories of iron and steel of indigenous origin still continue to be controlled either for prices, or distribution, or both, by the Ministry of Commerce and Industry through the Iron & Steel Controller, Calcutta. Government purchases of controlled categories of iron and steel are made at controlled prices from the sources indicated by the Iron and Steel Controller, but we are informed that there is no uniformity in the procedure as some of the indenting departments like the Railways and the Posts and Telegraphs procure their requirements directly while others are required to place their indents on the Directorate General of Supplies and Disposals after securing necessary quota certificates from the Iron and Steel Controller. In our

opinion, so long as control on prices exists, there is no particular advantage in acquiring these stores through the Directorate General (S&D). We recommend, therefore, that all indenting departments should be authorised to arrange purchases directly of the controlled categories of iron and steel in consultation with the Iron and Steel



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CHAPTER IV

PURCHASE AND DEVELOPMENT BOARD AND NON-OFFICIAL ADVISORY COUNCILS

4.1. At present the Directorate General of Supplies and Disposals is working practically in isolation as a consequence of which the Central Purchase Organisation comes in for a good deal of criticism. On the one hand, the organisation is held responsible by indentors for delays which could sometimes undoubtedly have been avoided or minimised by closer collaboration with them, and on the other hand, by the commercial and the trading community for delays in placing of contracts, inspection of stores, payments of bills, as well as alleged cumbrous procedure. It is necessary to overcome the handicaps from which the organisation doubtless suffers at present and to make it at the same time more effective and responsive both to the indentors and the business community.

(A) PURCHASE AND DEVELOPMENT BOARD

4.2. We have emphasised in the next chapter the fundamental importance of Government's purchase policy as an instrument for the economic development of the country. The Central Purchase Organisation occupies a pivotal position amongst Government Purchasing Agencies. It, therefore, follows that:—

- (i) the Central Purchase Organisation must be used continuously and effectively as a potent instrument for the development of industries;
- (ii) it is desirable that the Central Purchase Organisation should have the full confidence of the indentors and be made more responsive to them;
- (iii) in due course, the activities of the Central Purchase Organisation should expand so as to embrace practically the entire range of Government purchases, with a corresponding diminution in the scope of direct purchases by indenting departments;
- (iv) there must be proper co-ordination of policy and procedure in respect of all Government purchases, whether made by the Central Purchase Organisation or departmentally; and
- (v) the very large volume of Government purchases—estimated at about Rs. 300 crores per annum, including purchases made by Autonomous Bodies and State Governments, nearly 40% of which represents imported goods—justifies a high-powered organisation vested with sufficient authority to carry out its responsibilities with speed and effectiveness, without being hampered by the continual need for referring cases and policies for higher approval.

We, therefore, recommend that central purchases should be controlled by a permanent Board, which may be called 'The Purchase and Development Board'.

4.3. Composition of the Board.—The Board should consist of a whole-time Chairman and five Members. The Chairman should be a person of high standing, preferably one with wide business experience. The Members will be the Director General (S & D), the Head of the Development Wing and a representative each from the Ministries of Defence, Railways and Finance, devoting most of their time to the work of the Board. The Director General (S & D), will act in relation to it somewhat as a Managing Director does in relation to the Board of Directors of a Company. The Board will function directly under the Minister responsible for the Central Purchase Organisation and will be assisted by a separate Secretariat. We wish to emphasise that our intention in recommending part-time representatives of certain Ministries (and not whole-time officers) is not that persons having already a full day's work in those Ministries should be appointed to the Board, but that specially selected senior officers should be appointed to the Board, who may be given some other work in the Ministries concerned for so long as the volume of work in the Board does not justify their whole-time employment in the Board itself.

4.4. Functions of the Board.—The functions of the Board should, in our view, be as follows:—

- (i) to advise on the most effective methods for implementing the Central purchase policy as an instrument for industrial development and itself to authorise the Director General (S & D) to issue policy directives in suitable cases;
- (ii) to advise on any other matters of purchase policy or any procedural or organisational matters, with a view to improving the effectiveness of the Central Purchase Organisation. It will also have the power itself to authorise the Director General (S & D) to issue policy, procedural or organisational directives in suitable cases;
- (iii) to advise the departments undertaking direct purchases, as well as Government Corporations, on general matters of policy and the scope of such direct purchases. Individual purchase, cases of importance may also be referred to the Board by Departments or Corporations and the Board will offer its advice in such cases;
- (iv) to advise on all cases of purchases having unusual features which may be referred to the Board by the Director General (S & D) or such other cases as are beyond the Director General's powers, e.g., cases relating to price-preference margins, waiving of Liquidated Damages, etc. The contracts in such cases will continue to be executed by the Director General (S & D);

- (v) to keep under constant review Government's purchases abroad, with a view to ensuring that no purchases are made abroad of any items which can be produced indigenously and also with a view to developing capacity in the country for the future production of such items;
- (vi) to undertake periodically a review of the principles followed by indenting departments in formulating their indents, with a view to ensuring economy in outlay and better development of indigenous capacity;
- (vii) to advise on purchases in excess of the purchase powers of the Purchase Missions in London and Washington which are referred under the rules, in force, to the Ministry; and
- (viii) to review the existence of surpluses which come to notice, either as a result of an actual declaration by the stockholding department, or in the process of reviewing an indent for the store.

As regards items (iv) and (vii), we recommend that the work of the Board should be conducted through a Sub-Committee consisting of the Chairman, the Director General (S & D), a Finance representative and a representative of the indenting department concerned who may be specially co-opted wherever necessary. With regard to item (v), the Chairman of the Board will constitute a Screening Committee consisting of himself, a full-time technical adviser to the Board, the member of the Board representing the Development Wing, one representative from the Inspection Wing, one from the indenting department concerned and one representative selected from the industry concerned. While the technical adviser to the Board and the representative of the Development Wing will be permanent members of the Committee, the others will be selected with reference to the indents proposed to be screened. We have considered the general question of scrutiny of indents later in the Report regarding item (vi), we have amplified at appropriate places the issues which could with advantage be looked into by the Board, e.g., propriety of large-valued indents, demands in relation to surpluses, arrangements for submission of 'programme' indents, preference to tried makes and brands, purchases of imported stores under 'foreign-aid' programmes, etc. For convenience of reference, the responsibilities proposed to be entrusted to the Board are brought together in Appendix 8.

4.5. In the discharge of its functions, it will be open to the Board to call from the Central Purchase Organisation, as well as other direct purchasing authorities of the Central Government or Corporations, information relating to their purchases. We envisage that the Board will function as an instrument of the Minister in charge of the Central Purchase Organisation in this particular field, and that in suitable cases it will function on behalf of the Minister. For this purpose, the Board should have a whole-time Secretary who should be a Deputy Secretary in the Ministry.

4.6. The establishment of the Board will not affect the responsibility and status of the Director General (S & D) as the Head of

the Central Purchase Organisation. The Board will not be concerned with purely administrative and staff problems of the Directorate General of Supplies and Disposals.

4.7. While recommending the setting up of this Board, we have carefully examined the possible objections that might be raised against it, viz., that it will interpose one more body between the Director General (S & D) and the Ministry and will, therefore, act as a bottleneck leading to delays; that the same objectives could be achieved by giving higher powers to the Director General (S & D) or the Missions in London and Washington; and that if greater co-operation with indentors is considered desirable, that too could be achieved by attaching a small official advisory body to the Directorate General (S & D), composed of representatives of the main indenting departments. We are convinced that none of the alternatives mentioned above would effectively solve the problems which have been described in paragraph 4.2. In particular, as regards the fear of the Board leading to delays, we are satisfied that if the Board functions in the manner suggested in paragraph 4.5, it will be an effective instrument for quick disposal.

(B) NON-OFFICIAL PURCHASE ADVISORY COUNCIL

4.8. With a view to make the Central Purchase Organisation more effective and responsive to the industrial and the trading community, we further recommend establishment of a non-official Purchase Advisory Council on lines similar to 'Export/Import Advisory Councils'. The association between the Central Purchase Organisation and the Advisory Council will make available to Government the experience of the commercial community. This Council will be of great value in advising the Minister, the Purchase and Development Board and the Central Purchase Organisation, in the discharge of their functions.

4.9. In our view, the Council should consist of not less than twelve, but not more than twenty, non-officials mainly drawn from the commercial and industrial interests, including cottage and small-scale industries. The Secretary of the Ministry of Supply and the members of the Purchase and Development Board should, in addition, be *ex-officio* members of the Council and the Minister in charge of the Central Purchase Organisation should be the Chairman. The Secretary of the Purchase and Development Board should serve as Secretary to the Council as well. We consider that such a Council, meeting ordinarily once a quarter, would be able to give valuable advice on general policy and procedural matters, as well as on development of industries through Government purchases.

4.10. As regards the regional purchase offices of the Central Purchase Organisation, we consider that the establishment of similar non-official Purchase Advisory Committees on a comparatively smaller scale under the Chairmanship of the Heads of the regional offices would also be useful. Directors of Industries of State Governments in the region could with advantage be co-opted as members of such regional committee.

(C) PURCHASE CORPORATION

4.11. We have carefully considered the recommendation made by the Estimates Committee in their Report No. IX-1954 for the esta-

ishment of a State Purchase Corporation. While we agree with the Estimates Committee that an organisation run on commercial principles and practices for purchase of stores would obviate several procedural delays, the type of Corporation recommended by them may not, we fear, achieve the objective. They have suggested that the broad outlines of the policy of the proposed Corporation should be laid down by the Parliament; the accounts of the Corporation should be audited by or under the direction of the Comptroller and Auditor-General of India; and the rules of business and procedure, as well as the annual reports and accounts of the Corporation, should be placed before the Parliament. We have noted that though the Corporation is proposed to be given autonomy in its day-to-day administration, the mainspring responsible for business efficiency, viz., the profit motive, will be missing in such a Corporation.

4.12. Many of the advantages which the Estimates Committee contemplate would follow from the setting up of a Corporation can be secured through the establishment of a Purchase and Development Board and other recommendations made in this Report. We note that the Committee envisage a certain measure of Parliamentary control over the activities of the proposed Corporation, and in this respect, the Purchase and Development Board recommended by us will be subject to much the same measure of Parliamentary control. We are not convinced, therefore, that a Corporation will secure better expedition in the conduct of its business than the Board. Earlier, we have recommended widening of the scope of the Central Purchase Organisation for unified control and for observance of uniform policy. Later in the Report we are recommending that all tenders should be invited in India and contracts should be placed with India-based establishments in preference to manufacturers abroad. We are also suggesting measures for simplification of purchase procedure and early payment of suppliers' bills. Apart from these considerations which are the basic advantages visualised by the Estimates Committee in a Corporation, a Government Purchase Organisation will have some additional advantages. It can ensure better liaison with indenting departments; can probe into their requirements for avoiding excesses in demands; can help the industries more effectively wherever such help is to come from other Government departments; can ensure better utilisation of Government surpluses and above all, will be more responsive in implementing Government policies such as development of indigenous industries.

4.13. A State Purchase Corporation may be in a better position to bring business experience to bear on Government purchases either because it has a larger number of businessmen on it, or because it may be able to draft personnel with business experience into the organisation more easily. But, here again, the rules of recruitment to the Central Purchase Organisation could be so framed as to attract men with business experience. If necessary, the Purchase and Development Board itself could be expanded by the addition of a member with business experience. The non-official Advisory Councils recommended by us will also provide the requisite business advice.

CHAPTER V

ASSISTANCE TO INDUSTRY

5.1. As pointed out earlier, the major consideration for the establishment of the Indian Stores Department in the year 1922 was to reduce dependence on imports through development of indigenous industries. We find, however, that the pace of development of indigenous industries to replace import of stores required by the Government has been slow. This is borne out by the statistics of purchases made by the Directorate General of Supplies and Disposals—reproduced in Appendix 7—which shows a decreasing percentage trend in the ratio of purchases from indigenous sources to the total purchases from the year 1947-48 onwards. This trend, however, may partly be explained by the entry of a large volume of purchases of imported capital goods in the figures for total purchases. The fact also remains that some of the industries, which were developed during the War, have died out for want of orders. In our view the purchase policy should aim at not only encouraging the development of new industries, but also nurturing them when so created. This can be ensured in many ways, e.g., effective screening of indents for imported stores, special purchase procedure to facilitate development of indigenous manufacture of stores at present imported, price preference to indigenous products, relaxation in specifications to suit local manufacture, etc.

(A) SCREENING OF INDENTS FOR IMPORTED STORES

5.2. With the exception of certain items of specialised stores required by the Ministry of Defence and the Ministry of Railways, all the Central Government departments procure their major requirements through the Directorate General of Supplies and Disposals which examines indents, in consultation with the Development Wing of the Ministry of Commerce and Industry, before deciding to purchase stores of foreign origin. We understand, however, that consultation with the Development Wing is not done as intensively these days as it used to be when the Development Wing and the Supply Organisation were under one Director General, and later one Ministry.

5.3. **Defence demands.**—As regards the Ministry of Defence, they have established an 'Imported Stores Screening Committee' in January, 1949—consisting of representatives of the Ministry of Defence, the three Services Headquarters, the Director General of Ordnance Factories, Ministry of Finance, Ministry of Works, Housing and Supply, the Directorate General (S & D) and the Ministry of Commerce and Industry (Development Wing)—which serves as a machinery for continuous examination of purchases made by them directly from foreign sources. This Committee initiates action for indigenous production of stores which are at present being procured from abroad. In addition, 'investigation' copies of all indents placed directly on the London and Washington

Purchase Organisations, excepting those for 'security' items, are sent by them to the Directorate General (S & D) and the Ministry of Commerce and Industry. The recipients may advise withdrawal of any indents for which known indigenous sources exist, or they may endeavour to locate new sources of supply in the country for future demands. The result achieved so far has been insignificant as will be seen from Appendices 9 and 10. We understand that the Screening Committee itself is not satisfied with the results. The Ministry of Defence feels that the staff available for this purpose with the Development Wing of the Ministry of Commerce & Industry and the Directorate General (S & D) is not adequate. On the other hand, the difficulty experienced by these two organisations, we are informed, is that the store-nomenclature and specifications indicated in the Defence indents are not always sufficient for proper appraisal of the stores concerned. We recognise, however, that in a large number of cases the sporadic nature of the demand and the smallness of the requirement are not conducive to the establishment of indigenous manufacture. Moreover, the items of Defence stores run into several thousands; this makes it impossible to examine in detail prospects of local manufacture of an individual item. The major weakness in the present system of screening of these indents is the absence of liaison with the industry, which can be remedied effectively by actively associating also the industry with these endeavours. We have recommended in the previous chapter that the Purchase and Development Board should constitute a Screening Committee comprising representatives of various interests, including the industry concerned for examination of indents for imported materials—see paragraph 4.4. After the establishment of the Purchase and Development Board, there should be no need to continue the 'Imported Stores Screening Committee' in the Defence Ministry, whose work can more appropriately be taken up by the proposed Screening Committee of the Board. The Defence Ministry should send copies of 'foreign' indents to the Purchase and Development Board; there will be no need then for the Defence Ministry to send 'investigation' copies of their indents either to the Directorate General (S & D) or the Development Wing of the Ministry of Commerce & Industry as at present.

5.4. Direct purchases by Railways.—Unlike the Ministry of Defence, the Ministry of Railways do not effect their direct purchases after getting the demands screened under standing arrangements. Though in regard to major purchases the Railway Board consults the Development Wing of the Ministry of Commerce and Industry, a number of lesser purchases of imported stores are effected without the formality of screening. We consider that, so long as the Railways continue to make purchases directly of imported stores, they should send copies of their purchase orders to the Purchase and Development Board.

5.5. Other indents.—As regards other indenting departments, Industrial and River Valley Projects, Statutory Corporations and Boards, copies of their indents/purchase orders for foreign purchases should be sent to the Purchase and Development Board for screening of their demands. Similarly, State Governments should also be requested to keep the Purchase and Development Board informed of their foreign purchases.

(B) INDENTS FOR DEVELOPMENT ITEMS

5.6. Many new industries to be established will require, in the initial stages at least, an assurance of a minimum off-take for a number of years, technical assistance, and may be in special cases, financial accommodation. At present, the Central Purchase Organisation can initiate purchase action only on indents received from indentors, which normally cover a year's requirements. We consider that special purchase procedure should be evolved for items at present imported, the manufacture of which should be developed in the country. Here, the services of the Purchase and Development Board could be usefully employed. The Board should, in consultation with the indentors and the industry, draw up a list of items the development of which should be sponsored urgently. For these items, the Ministries concerned should submit to the Board what may be termed 'development indents', giving *inter alia* the following particulars:--

- (a) The actual consumption of the items annually;
- (b) the quantities purchased, the prices paid and sources of supply during the past five years;
- (c) pending indents and the stock position;
- (d) the minimum estimated annual requirements; and
- (e) any special technical or other features.

Such 'development indents will enable the Purchase and Development Board to explore the possibility of making long-term arrangements with parties who may be interested in undertaking the manufacture of such items on suitable terms which might include:

- (i) Government guarantee of certain minimum off-take annually for a number of years;
- (ii) fixation of prices after taking into account the higher production costs during the developmental period;
- (iii) formulation of a plan by the manufacturer for progressive indigenous manufacture of the article (A time-schedule by which the article will be wholly manufactured in India should be prescribed);
- (iv) assurance of assistance in respect of import licences for components and allotment of raw materials;
- (v) technical assistance inclusive of facilities for testing and making available results of research;
- (vi) relaxation in specifications in consultation with the indenter to facilitate the use of substitute materials; and
- (vii) financial assistance in special cases.

5.7. In recommending that the Purchase and Development Board should take special interest in the development of indigenous manufacture, it is not our intention to suggest that the various Government users should cease to take initiative in this matter. Apart from items the development of which would be sponsored

by the Purchase and Development Board, there may well be others which the consuming Government departments themselves may wish to sponsor from time to time. For example, they might consider it desirable that factories under the Government auspices should be established for manufacture of certain types of stores. They may also find it possible to develop the manufacture of other items in privately-owned factories. In many such cases direct contract between the user and the prospective manufacturer is likely to facilitate establishment of indigenous manufacture with adoption of necessary changes in design, use of substitute materials, making available results of research, providing facilities for trials, etc. All such proposals should be closely co-ordinated with the Purchase and Development Board.

(C) PRICE PREFERENCE

5.8. It is obvious that, at the present stage of the country's industrialisation, Indian manufacturers may not be able, in all cases, to compete successfully with established foreign manufacturers in regard to quality and price. The policy of the Government no doubt is to make their purchases of stores in such a way as to encourage the development of indigenous industries to the utmost extent possible, consistent with economy and efficiency. In accordance with the Rules, which date back to 1931, preference in making purchases has to be given to articles of Indian manufacture and purchase officers "may, when they are satisfied that such a measure is justified, allow a limited degree of preference in respect of price to articles produced or manufactured in India either wholly or in part". The Government of India have also announced the policy of preferential treatment to the products of cottage and small-scale industries in making purchases of Government requirements and have agreed to relax specifications and offer price preference, if need be. There is an understandable reluctance on the part of purchase officers to exercise this discretion, which involves justifying the quantum of price preference to be given. In practice, therefore, this policy has been implemented only in a limited way. In fact, we are informed that, but for some purchases of transformers, brass bars and injectors, the Central Purchase Organisation has till very recently shown no price preference to indigenous products in its purchases. Similarly, in regard to products of cottage and small-scale industries, except for items like khadi, blankets and blanketing cloth, there have been few cases where price preference was given.

5.9. Indigenous products.—The question of price preference to indigenous articles deserves to be faced realistically and tackled with boldness and imagination. We suggest that the degree of price preference should be specified in the Stores Purchase Rules for automatic application of the policy by purchase officers, subject to suitable safeguards, to ensure that no undue advantage accrues to products which are not of genuine indigenous manufacture. Government's purchase policy should, in our view, admit generally a price preference upto 15 per cent to indigenous products over the imported goods, including customs duty. We have also carefully considered whether industries protected through tariff or other means should enjoy this preference and have come to the conclusion that such industries should

not be excluded from the purview of this policy. The preference margin should be increased to 25 per cent for certain specified classes of stores, where admittedly the indigenous industry is not in a position to compete with foreign manufacturers within the general limit of 15 per cent. because of low import duties, or small turnover, or higher costs of raw materials and components, etc. A list of such items should be specified by the Purchase and Development Board. Price preference even in excess of 25 per cent. should not be ruled out for lines of manufacture where unfair competition is feared, or where special development is required, if the Government is convinced of its justification. However, in respect of lines of manufacture which are the monopoly of a single firm or a group of firms, the degree of price preference to be given may be subject to examination by Government of costs of manufacture where considered necessary. However, one or two instances have been brought to our notice where indigenous manufacturers submitted unduly high quotations and were disinclined to reveal the break-up of cost. In such cases, suitable effective action will become necessary.

5.10. The Regional Stores Purchase Committee, reporting on the working of the India Store Department, London, has recommended that, if any components of an assembly could be manufactured locally, such items should be deleted from the indents sent to London for procurement. This principle is equally applicable to the purchases made in India of stores of foreign origin. In fact, the general policy of preference to indigenous products should be extended to the purchase of imported stores where a large number of components of indigenous origin are proposed to be utilised; the degree of price preference should be governed by the proportion of indigenous components. We recommend, therefore, that while inviting tenders for imported stores, tenderers should be asked to indicate the quantum of indigenous components proposed to be utilised in the store for ensuring due weightage being given to such offers.

5.11. **Cottage and small-scale industries.**—The importance of cottage and small-scale industries in the national economy of the country, and the scope they offer for employment in rural areas and co-operative enterprise, need no emphasis. The Planning Commission, in its First Five-Year Plan, has observed that the "stores purchase policy can be both a method of encouraging cottage industry and a means for raising its technical efficiency and improving its organisation". Products of cottage and small-scale industries, therefore, merit further liberal treatment. Certain fields may with advantage be reserved for purchases necessarily from those units. A tentative list of such stores as furnished by the Directorate General of Supplies and Disposals is in Appendix 11. This list is by no means complete or comprehensive, and should be reviewed in consultation with indenting departments. Where cottage and small-scale industries are, however, not in a position to meet the demand in full, the purchaser may place contracts elsewhere for quantities in excess of the capacity of cottage and small-scale industries. Like indigenous products in comparison with imported stores, we also recommend that Government's purchase policy should admit generally a price preference upto 25 per cent. to the products of cottage and small-scale industries over those of large-scale industries. Further, in our opinion, it is necessary to make some distinction between cottage and

small-scale units. We suggest that, where the products can clearly be identified as that of a cottage industry, such products should receive absolute preference over products of small-scale industries within the prescribed limits of price preference. With a view to afford fullest encouragement to co-operatives, we recommend that a marginal preference of 2 per cent. should be given to offers from co-operative societies. A price preference even in excess of 25 per cent. for cottage and small-scale industries may be considered on the merits of each case. We are aware of the pitfalls in operating this recommendation and would stress the need for careful identification of the products qualifying for price preference.

5.12. As the exact degree of price preference required for the development of cottage, small-scale and other indigenous industries is not easy to assess, we suggest that the policy of price preference recommended here may be reviewed in the light of experience gained after a period of five years.

(D) RELAXATION IN QUALITY

5.13. Another method of implementing the policy of preference to indigenous products would be to permit some relaxations in quality having regard to the technical limitations in local manufacture, safeguarding at the same time that the quality proposed to be accepted meets the purpose for which the purchase is intended. We feel that, if this policy is effectively implemented, the manufacturers would soon be able to produce goods of the required quality with Government encouragement. Some progress has been made in this direction by the Indian Standards Institution while laying down specifications and standards for certain stores, in consultation with the principal users and industries concerned. The purchase of stores to the specifications laid down by the Indian Standards Institution, as recommended later in this Report—see paragraph 7.28—would normally ensure the objective we have in view. It will, however, take a long time for the Indian Standards Institution to complete the drawing up of specifications for the entire range of products purchased by the Government. It is, therefore, necessary that, in the meantime, certain relaxations should be allowed in those cases where the Institution has not yet prescribed any standards. In view of the variety of articles involved and the diversity of uses they are put to, it is difficult to indicate the extent to which relaxation in specifications might be allowed to help the indigenous industry. We recommend that the indenting departments should take into account the technical limitations of the indigenous industries while drawing up specifications for the stores in demand.

5.14. We recognise, however, that in some cases the lowering of standards may mean purchase of articles with shorter life. In such cases, there will be an indirect financial consequence and the extra expenditure involved will have to be accepted in pursuance of the larger objective, viz., development of indigenous industries. It is not our intention to suggest any relaxation in standards where questions of safety or security are involved. For example, it would be difficult to conceive of lowering of specifications in purchase of silk for parachutes, or certain railway items which are vital for the

safety of the transport services. Nor do we suggest a permanent lowering of the standards. The relaxations we have recommended should be with the object of enabling the indigenous industry to improve its quality within a reasonable period on a programme basis. Normally, therefore, such relaxations should be permitted only for a specified period, in consultation with the industry concerned.

5.15. As regards hand-made products, where uniformity in quality is difficult to secure, we recommend that greater relaxation in specifications, or wider tolerances, should be considered on the merits of each case, consistent with the method of production and the 'end-use' of the stores in demand.

(E) DEFINITION OF COTTAGE & SMALL-SCALE INDUSTRIES

5.16. We are informed that at present there are no accepted definitions either for the cottage or small-scale industry. In our opinion, it is necessary to draw up some working definitions for these industries for implementation of Government's policy of preference to the products of cottage and small-scale industries. It is understood that the Economic Commission for Asia and the Far East, some time ago, had recommended the following definitions for cottage and small-scale industries:—

"The cottage industry is one which is carried on wholly or primarily with the help of members of the family either as a whole or a part-time occupation."

"The small-scale industry is one which is operating mainly with hired labour usually not exceeding 50 workers in any establishment or unit not using any motive power in any operation, or 20 workers in an establishment or unit using such power."

While we agree with the definition for cottage industries, in our opinion, the definition for small-scale industry, for purposes of according preference in Government purchases requires further amplification. We consider that, for this purpose, a small-scale industry should be one which operates with a labour force not exceeding 100 if motive power is not used (except in a fractional manner not exceeding 1 H.P. for minor finishing operations), or with 50 workers if using power, with an upper limit on fixed capital of Rs. 1 lakh in either case.

(F) PROTECTION TO INDUSTRY—UNFAIR COMPETITION

5.17. It is in the interest of the consumer that in no line of industry should there be any kind of monopolistic production. The purchase policy of the Government should, therefore, provide for encouragement to new-comers in such lines, as also for adequate protection to the comparatively small but otherwise efficient producers against under-quoting and other unfair practices occasionally followed by large-scale units or combines. Occasions of this nature would doubtless be few; but, in our opinion, it is necessary that the purchase procedure should provide for necessary rules and regulations on the subject to deal with such cases. If, for instance, the

purchase authorities have reasons to believe that in a particular case the decision on a tender, purely on the basis of the lowest quotations received, is likely to result in virtual extinction of a producer who may have either entered the field newly, or who may not be in a position to reduce his cost of production to compete with the quotations given by other producers, the purchaser may resort to distribution of orders. The advice of the Purchase and Development Board should be obtained on such cases.

5.18. Considerations of this nature are particularly necessary where production has been established solely to meet Government's requirements of a special nature, and where the producer is not in a position to switch over to alternative lines of production. Closing of lines of specialised production for want of orders is not in the interest of the country in the long run, because the re-establishment of such lines, in case of emergency when demands increase, would not only take time but would also prove uneconomical in the final analysis. Wherever possible, therefore, the demands should be so spaced as to allow continuity of production.

(G) PERMANENT EXHIBITIONS

5.19. It has been represented to us that manufacturers do not often know what types of stores are required by the Government and out of these, what lines Government desires to be developed in the country instead of depending on imports. Entrepreneurs would also like to know quantities required regularly, as well as specifications and drawings, before they consider a new venture. For this purpose, some time ago, sample rooms of Defence requirements of certain imported stores were established by the Development Wing of the Commerce and Industry Ministry, in conjunction with the Defence Ministry, and certain exhibits have been shown in these rooms from time to time. At the Railway Centenary Exhibition, the Railways also exhibited specimens of stores which they are importing at present. While these displays have been of use, they have not been sufficiently effective or attractive. The experience gained so far suggests that with a view to encourage local manufacture of stores at present imported, it is necessary to have large permanent sample or show rooms opened in four or five leading centres in a prominent locality to exhibit samples, models, drawings, specifications, etc., of the requirements of all Government departments which are being imported. All the exhibits should be properly indexed showing their annual requirements with price indication. Technical personnel, preferably belonging to the indenting departments, should be posted at these exhibitions to explain technical and other matters of interest to the intending manufacturers. A combined museum to serve all departments is likely to attract a large number of visitors. Such a combination would also show possibilities of bulking of demands from individual indentors which singly may not be large enough to attract indigenous manufacture. The articles for which there is a large demand should be shown, but samples could be changed from time to time. Stalls might be let out in these sample rooms to industrial units, at more moderate charges particularly to small producers, to exhibit

their products. For these exhibitions to be a success, it is necessary that the choice of articles to be displayed should be carefully made; and the exhibitions should be made attractive enough to draw people. Further, we suggest that it should be examined whether the management of these exhibitions should not be entrusted to such organisations like "The Federation of Indian Chambers of Commerce and Industry" or "The All-India Manufacturers' Organisation".

(H) DIRECTORY OF GOVERNMENT REQUIREMENTS

5.20. Apart from permanent exhibitions, we recommend that the Central Purchase Organisation should publish annually a directory of Government purchases. Such a publication will serve as a reference book to the industrial and trading community to form an idea of Government's normal requirements and assist them in planning their activities so as to meet the demands without delay. With a view to ensure effective use of the directory, the purchase statistics should be properly categorised with adequate description of stores indicating also the current sources of supply—whether indigenous or imported. It is also necessary that the directory of purchases should be published regularly and promptly. The periodical reports appearing in the Indian Trade Journal regarding contracts placed from time to time by the Directorate General of Supplies and Disposals and our foreign Purchase Missions are useful in enlightening the trading community on the day-to-day activities of the Central Purchase Organisation, but the utility of such piecemeal information is limited. A comprehensive annual publication will go a long way to induce the industrial community to step up production and improve the quality of their wares and also interest them in the manufacture of new articles to reduce imports. We would also like the major indenting departments to consider the feasibility of publishing a 'forecast' of their annual requirements to apprise the commercial community of the likely demands. Some endeavour in this direction appears to have been made by the Railways for some of their major projects and the forecast, in our opinion, can be extended with advantage to the normal demands as well. In any case, we suggest that the Central Purchase Organisation, immediately on receipt of indents, should publicise the demands to serve as an advance intimation to the trading community to watch for tender notices.

(I) LIAISON BETWEEN 'PURCHASE' AND THE 'DEVELOPMENT' WING

5.21. The Development Wing of the Ministry of Commerce and Industry is charged with the responsibility for assisting and developing industries in India for meeting both Government and Civilian requirements. Other activities of the Development Wing are to advise Government on industrial schemes and on import/export policies and to assist the Tariff Commission, as and when required. During the War and for some years thereafter, 'Supply' and 'Industry' were under one Director General and the Development Wing was working with the Supply Wing of the Director General under the policy direction of the Ministry of Industry and Supply. This arrangement worked satisfactorily, and as a result valuable progress was made in the establishment of several new industrial units.

With the re-organisation of the Ministries in 1951, 'Industry' and 'Supply' were separated and the unified control under one Director General over 'Purchase' and 'Development' disappeared. With this transfer, the Directorate General of Supplies and Disposals has ceased to be directly responsible for the development of industries. Development through Government purchases was one of the fundamental objectives with which the Central Purchase Organisation itself was started over three decades ago. The arrangement of placing the Purchase Department and Development Wing under two different Ministries has resulted in decreasing consultation between the two organisations and lack of liaison, and has consequently militated in practice against a real and effective policy of development of industries through purchases.

5.22. The various Trade and Industrial Associations who appeared before us were unanimously of the view that more valuable results in the development of indigenous industries would be achieved if the Purchase and Development Organisations are again combined in the same Ministry. Official witnesses also supported this view, though some of them feared that this might present some organisational difficulties. We are strongly of the view that organisational arrangements could be so devised that the maximum benefits flow to indigenous industries from a co-ordinated policy of purchase and development. The constitution of the Purchase and Development Board, as recommended by us, may partially meet this objective, but we do not think it could be a complete alternative. We, therefore, recommend that Purchase and Development Organisations should be placed under a common Ministry.



नमो भगवते वासुदेवाय

CHAPTER VI

PURCHASE OF IMPORTED STORES

6.1. It is not possible to assess precisely the value of annual requirements of imported stores of the Central and State Governments. An analysis of the purchases made by the Directorate General of Supplies and Disposals in India indicates that nearly forty per cent of the total value represents stores of foreign origin. This percentage, by and large, would hold good for all Government purchases and on this basis it would be safe to assume that the total purchase of imported stores on Government account would be in the neighbourhood of Rs. 125 crores annually. During the last four years, the Directorate General (S. & D.), New Delhi, the India Store Department, London, and the India Supply Mission, Washington, amongst themselves have purchased on an average Rs. 67 crores worth of imported stores (excluding food purchases) as will be seen from the following table:—

Purchase of imported stores

(Figures in lakhs of rupees)

Purchasing Agency.	1950-51	1951-52	1952-53	1953-54
	Rs.	Rs.	Rs.	Rs.
1. D.G., S. & D., New Delhi	2800	4751	3698	2777
2. D.G., I.S.D., London.	3728	2203	2564	1337
3. I.S.M., Washington.	575	523	1241	665
Total:	7103	7477	7503	4769

The Government's purchase policy requires that, as far as possible, purchases on Government account should be made from indigenous sources. Nevertheless, in view of the limited industrial capacity in the country, some purchases abroad may be inevitable. It is, therefore, necessary to consider several important aspects of these purchases and co-related issues.

(A) IMPORTED STORES—PURCHASES IN INDIA

6.2. **Historical background.**—The question whether tenders for the purchase of foreign manufactured goods required by Government should be invited solely in India has, during the last thirty years, attracted much public attention and has been under review by Government from time to time. The Stores Purchase Committee

of 1919-20 considered that "it will be found advantageous to procure certain classes of imported stores considerably more freely than hitherto through the agency of branches, agents and dealers in India". In 1929 an inter-departmental committee again stressed that purchase in India through the rupee-tender system should be the normal procedure. Accordingly, the Stores Purchase Rules issued by the Government in 1931 prescribed that ordinarily tenders should be invited in India on the condition that delivery would be in India for payment in rupees. The Annual Administration Reports of the India Store Department, London, usually gave a chart showing purchases of foreign manufactured goods made abroad, the object presumably being to indicate that only stores which could not be bought in India were being purchased abroad. This bias towards the rupee-tender system held the field till the outbreak of the Second World War which considerably changed the situation. The India Store Department, London, had to be strengthened and a new Purchase Mission set up in Washington. War-time difficulties persisted for some years after the end of the War, and in 1951 Government reviewed their policy for purchase of imported stores and decided that such purchases should be made through authorised agents in India or Indian branches of foreign manufacturers, subject to delivery, quality and price being suitable and to the existence of 'after-sales' service in India, wherever required. The exceptions to this policy were Government-to-Government purchases, purchase of food grains, arms and ammunition, locomotives and rolling stock. In addition, the Director General (S. & D.) was authorised to effect purchases abroad where he considered such purchases to be more advantageous.

6.3. Purchases in India.—The bulk of the evidence before us is that the time has come when all purchases should be made in India only, preferably in rupee currency and through parties in India. The various arguments put forward are briefly discussed in the following paragraphs.

6.4. The policy of making purchases in India has all along been accepted. This system will give the Indian manufacturers an opportunity to quote for some of the parts of a plant which may otherwise be wholly imported. Moreover, tenders invited by the India Store Department, London, are generally confined to the Continent of Europe and those of the India Supply Mission, Washington, to America. The invitation of tenders from India may attract world-wide competition as the recent experience in tenders for locomotives and cranes has shown. Invitation of tenders in India would at the same time add to the prestige of the country. We recommend, therefore, that all purchases should be made in India; contracts should be placed for payment as far as possible in Indian currency. Where sufficient competition does not exist in the country, arrangements may also be made to send tender notices to the foreign Embassies in India and Indian Embassies abroad, who may advertise such demands. Purchases abroad may, however, continue in the case of Defence requirements like arms and ammunition, or where they are made on Government-to-Government basis, or where assistance of a foreign Government is necessary.

6.5. Purchases through agents.—There is also the question of purchase through agents in India, including Indian branches of foreign manufacturers, as compared with purchase directly from manufacturers. The advantages which accrue from the system of purchases through authorised agents in India are:

- (a) If the contract is with a manufacturer abroad, only one party is interested in, and responsible for, the contract. If, however, the contract is with an agent in India, then both the manufacturer and the agent are interested in the due performance of the contract. Further, a deal with an agent on the spot enables the purchaser to secure expedition in placing the order and progressing deliveries.
- (b) Agents can provide 'after-sales' service and also assist in pre-order technical consultations.
- (c) Holding of stocks and spare parts in India would be encouraged.
- (d) An agent exerts even more than the principal to bring about a transaction to a competitive level, because, to him a contract with Government gives a superior standing in the home market, while the manufacturer, who has a global market to cater for, may not have the same intense anxiety. In order to meet competition the agent sometimes splits his commission and induces his principal to give better terms of service; he may even quote lower than his principal.
- (e) Agents in India and their technicians will have better opportunities to acquire technical experience and knowledge through training in factories of their principals abroad.
- (f) This system is likely to encourage establishment of indigenous production through assembly and progressive manufacture of component parts. Some instances in which this has happened are: propeller machinery for tugs, train-lighting dynamos, hydraulic gates for dams, overhead travelling cranes, electric motors and transformers, electric meters, batteries and accumulators.
- (g) The establishment of more agencies or branches will open additional avenues for employment in the country.

6.6. Purchases from manufacturers abroad.—On the other hand, certain advantages have been pointed out to us in favour of direct purchases from foreign manufacturers as against agents in India. These are discussed below:

- (a) It is said that direct purchase from a manufacturer results in Government saving the commission—wholly or partly—which would otherwise become payable to his agent. However, the bulk of the evidence before us leads us to believe that there would hardly be any case of purchase from a manufacturer in which agent's commission has not to be paid. Foreign manufacturers

usually have their agents in all big consuming markets; such agents keep permanent staff—technical and otherwise to cover the agency business; therefore, the arrangement with foreign principals necessarily has to be that any product of the principals that is sold in the agent's territories entitles him to receive agency commission. Most of the big manufacturers abroad have their distributing agents even in their own countries; the system is that manufacturers devote all their attention to the manufacturing side and entrust the distribution part to selling experts. In the case of sales by manufacturers, where they have no agents in India, they have in most cases to pay commission to the appointed distributors in their own country. It is, therefore, fairly clear that in most cases a commission, either to an agent in India or distributors in the manufacturers' country, has to be paid anyhow. Saving in agent's commission through direct purchases from manufacturers is rare; and in any case, the commission paid to an agent in India remains in the country.

- (b) In certain highly specialised lines, where the volume of Indian business is very low, foreign manufacturers may not be interested in establishing their agencies in the country; this difficulty could be overcome by stipulating that, in the initial stages, wherever necessary, direct contracts with foreign manufacturers should not be precluded.
- (c) The Government do not normally insure their goods, but in purchase through an agent on C.I.F. terms, the additional charge for insurance will be included and thus the price will be higher to that extent. This argument obviously ignores other advantages which Government secure through C.I.F. contracts. The volume of annual purchases of imported stores by the Directorate General of Supplies and Disposals at present is of the order of Rs. 40 crores; and mostly, these purchases are made on C.I.F. terms. Apparently, Government are satisfied that the additional charge for insurance they pay in these cases is counterbalanced by the advantage of not being required to set up an organisation to look after the problems that would arise if these stores were not insured. If, however, there is any doubt on this point, the difficulty can be remedied by entering into C. & F. or F.O.B. contracts with the agents. Such a course would involve Government in no greater risk in respect of insurance than under the present system of purchases abroad.
- (d) When Government enter into F.O.B. contracts, a certain amount of discretion rests with the India Store Department, London, in the selection of ships. Similar discretion, it has been pointed out, will not exist when the delivery terms are either C.I.F. or C. & F. Indian Port. Later in this chapter we are recommending that a suitable clause should be inserted in appropriate contracts

reserving the right of nominating shipping agencies—see paragraph 6.12. Even agents could be required to enter into F.O.B. contracts thereby obviating the need for a special clause.

- (e) Certain rebates in freight are allowed when the India Store Department, London, arranges shipment against F.O.B. contracts. If the agent arranges shipping, some advantage in rebate may be lost; such loss, however, is likely to be inconsiderable.

6.7. Taking all the above factors into account, the conclusion seems to us irresistible that the advantages of buying imported stores through India-based establishments outweigh considerably any possible disadvantages and we, therefore, recommend this procedure. It is, however, necessary that the India-based establishments with whom contracts are placed should be manufacturers' 'authorised' agents or branches. We attach great importance to this since we consider that it is an effective means of establishing new industries in the country. We understand that the adoption of such a policy in Japan has been one of the important causes for the great strides taken by that country in its early industrialisation. With the effective implementation of this policy impressive results are likely to be achieved in India. The non-official witnesses, representing important trade and commercial interests, are unanimous in their support of such a policy which, as stated earlier, has also been endorsed by the Government. A large number of manufacturers abroad have already their agencies in India; once the Government's policy in this respect is known, it may well be expected that other manufacturers also will soon establish their agencies or branches in this country as the recent experience in respect of locomotive purchases in India has shown. This will not rule out, in the initial stages, consideration of a tender from a foreign manufacturer who has no agent or establishment in India. Arrangements may also be made in important cases for the manufacturer and the agent to execute the contracts with Government jointly, or the principal guaranteeing the performance of such contracts.

(B) INDENTS UNDER FOREIGN AID

6.8. Some of the Industrial Associations have represented to us that goods are sometimes imported under 'foreign-aid' programmes even though capacity to manufacture such stores exists in the country. We have also noticed that in a few cases, with a view to avail of foreign aid to the maximum extent, indenting departments drawing on foreign aid have asked for imports of goods including some which can be manufactured wholly or partly in India. We are of the considered view that goods manufactured in India should not be imported merely on the ground that their cost would be paid out of foreign aid, as such a course would stifle industrial development in the country.

6.9. When a development scheme is being considered for financing with foreign aid, the authorities who handle the scheme on the Indian side should start consultations with the Development Wing

and/or Purchase and Development Board to ascertain the availability of equipment from indigenous sources. There should be such consultation even before a proposal is put forward informally under a 'foreign-aid' programme. We are informed that in some cases discussions with 'foreign-aid' administrations are taken to a stage where the project authorities press for importation of equipment, which could be secured indigenously, on the ground that synchronization of supply of such equipment is necessary with imports of other equipment not available in the country, so that schemes can go on smoothly. It then naturally becomes very difficult for Government to resist importation of the former type of equipments. We recommend, therefore, that the project authorities formulating schemes for consideration under foreign aid should be advised that before they begin talks with 'foreign-aid' administrators, they should ascertain what portion of the equipment could be obtained indigenously. Further, in all indents of imports under foreign aid, a certificate should be attached by the indenting officer to the effect that consultations have taken place with a view to making sure that no possibility of indigenous supply exists.

(C) CROSSMANDATE (TRANSFER) OF INDENTS TO PURCHASE MISSIONS
ABROAD

6.10. There have been complaints from Trade that indents are transferred for purchase abroad indiscriminately for articles which could be obtained in the country; on the other hand, there have been complaints from indentors that too much time is spent in ascertaining the possibility of supply from indigenous sources, or from foreign manufacturers' agents in India, before an indent is transferred abroad. In view of our recommendation made earlier in this chapter that all the purchase action should be taken in India and that contracts should be placed with India-based establishments in preference to manufacturers abroad, it should not be necessary for the Central Purchase Organisation or the indenting departments to transfer their indents to Purchase Missions abroad save in exceptional cases.

(D) ASSISTANCE TO INDIAN SHIPPING

6.11. We understand that about forty per cent. of the tonnage of stores annually purchased by the India Store Department, London and the India Supply Mission, Washington, is transported to India in Indian ships. This has been possible because of the fact that the contracts concluded by our foreign Missions are generally on F.O.B. basis which entitles the purchaser to nominate the shipping agency. While we recognise the efforts made by our Missions to transport as much cargo as possible by Indian vessels, we suggest that their attention should be drawn to the increase in the carrying capacity of Indian shipping companies with a view to diverting more and more cargo to Indian bottoms so that the increase in capacity continues to be fully employed.

6.12. In regard to contracts placed in India by the Directorate General of Supplies and Disposals and others, the position is different. They normally place orders for imported stores on C.I.F. or F.O.R. Indian Port basis, wherein the responsibility for transport of goods, unless otherwise specified, rests with the suppliers. Even the importing agencies in India, we are informed, have no hand in the shipment of materials which is arranged by the manufacturers abroad.

It is also possible that Indian vessels may not always be available at the time when goods are ready for shipment. Nevertheless, we should strive to utilise the services of Indian shipping agencies for transport of foreign goods purchased in India on Government account, and for this purpose we suggest that a clause on the following lines may be inserted in large-valued contracts where the delivery schedule would permit such an arrangement:

"Shipping.—Purchaser shall have the right to nominate from time to time, having regard to the circumstances prevailing vessels for the carriage of the goods covered by this contract. The supplier shall be bound to arrange shipments by such nominated vessels"

We appreciate, however, that it may be difficult in some cases to apply this clause with advantage.

(E) PURCHASE MISSIONS ABROAD

6.13. Paragraph 3 of the Government of India Resolution appointing this Committee reads as follows:

"The Committee will have before it the Reports of the Regional Stores Purchase Committees, London and Washington, and having regard to the recommendations made by these Committees, it will also consider how better co-ordination could be secured between the different Purchase Organisations in India and abroad".

We have gone through the Reports of the Regional Stores Purchase Committees on the working of the India Store Department, London and the India Supply Mission, Washington. We have summarised their main recommendations in Appendices 12 and 13. While we generally agree with the findings of the Regional Committees, there are certain aspects which we wish to re-emphasise and certain others which we think require further consideration in the light of this Report to ensure proper co-ordination between the Central Purchase Organisation in India and our foreign Purchase Missions.

6.14. **Personnel for foreign Missions.**—We attach considerable importance to the recommendation made by the Regional Committee, London, that the staff, particularly in the higher ranks in these offices, should be drafted from India. We also agree that the gazetted personnel employed in the Purchase Missions should form a common cadre with the Directorate General of Supplies and Disposals. The experience acquired by the purchase and inspection officers in foreign countries will be very useful to them in the discharge of their duties in India. We also endorse the views of the Regional Committee that suitable technical personnel should be deputed from Government organisations in India for inspection of stores; this is in line with our recommendation to acquire the services of trained and experienced men on a tenure basis from indenting departments for the Central Purchase Organisation—see paragraph 14.14.

6.15. **Screening of indents.**—The Regional Committee, London, has invited pointed attention of the Government to the necessity of

rigorous screening of demands in India before placing indents with the Purchase Missions abroad with a view to ensure that no demands which can be met from Indian sources are sent abroad. For this purpose we have already recommended establishment of a screening committee with the Purchase and Development Board—see paragraph 4.4. We understand that the Defence Ministry has drawn up a master list of items, in consultation with the Directorate General of Supplies and Disposals and the Development Wing of the Commerce and Industry Ministry, which Defence indentors may import and directions have also been issued that no item which is not included in this list shall be imported by any Defence indentor without the prior permission of the Ministry.

6.16. Regional Committees' Reports.—While we recommend acceptance of the other general recommendations made by the two Regional Committees, there are a few amongst them which, as stated earlier, need to be examined in the light of this Report. They are:

- (a) The Regional Committee, London, has recommended that the spares for plant and machinery should be indented to cover the life of the equipment in demand. While this is desirable in principle, we consider that it is not always possible to do so. Attention in this connection is invited to paragraph 7.6 of this Report.
- (b) The Regional Committee, Washington, is of the opinion that, on account of the large variety and small values of individual indents dealt with by the India Supply Mission, there is no need to establish any inspection 'cell' at Washington. As a result of our recommendation to invite all tenders in India and place contracts as far as possible with agents in India, our purchase activities in Washington will be further reduced. Nevertheless, we are of the view that, so long as the office of the India Supply Mission, Washington, exists, it is necessary that it should be supported by a small team of engineers—say one mechanical, one electrical and one general—who could undertake inspection of many of the engineering stores purchased by the Mission and at the same time assist the Mission in the technical scrutiny of indents and tenders. We, however, recognise that the departmental inspection in America cannot be undertaken on the same scale as for purchases from the U.K. and the Continent; and even with the establishment of a small inspection 'cell', the India Supply Mission will have to entrust inspection of some of the stores to local commercial inspection agencies as at present. However, the technical personnel attached to the India Supply Mission would be in a position to assist the Mission in assessing the degree and nature of inspection required to be entrusted to commercial inspection agencies and at the same time afford technical scrutiny of the inspection certificates issued by these agencies. We understand that the cost of commercial inspection is already heavy in the U.S.A. The expenditure involved in setting up of a

departmental inspection 'cell' would, in our opinion, more than pay its cost in the long run. It is, however, not our intention that all the stores purchased in America should be inspected prior to shipment; in this regard the present practice should continue.

- (c) A suggestion has been made by the Regional Committee, Washington, that purchases of non-proprietary stores through the Mission should be preferred to placement of orders with agents in India. We have dealt with this question at length earlier in this chapter and in our opinion, the balance of advantage lies in placing contracts with agents in India in preference to manufacturers abroad—see paragraphs 6.2 to 6.7.

6.17. Foreign Missions—Scope and functions.—Earlier in this chapter, we have recommended that all Governmental purchases should be made in India. This would, at first sight, appear to reduce the work of the India Store Department, London, or the India Supply Mission, Washington. But the actual difference that the above recommendation would make to the present organisations abroad will not really be considerable; indeed, the overall difference will be very small, particularly in the India Store Department, London. The London office has three main functions: purchase, inspection and shipping. In future, there will be more emphasis on inspection, and possibly shipping, and comparatively less on purchase. A large proportion of purchase work, particularly in London, relates to specialised Defence stores which are not manufactured in India at present. These purchases will not be affected immediately by our recommendation and will continue to be procured from foreign sources till our programmes for indigenous manufacture are complete.

6.18. To implement the economic development programmes under our Five Year Plan, purchase of capital goods abroad will, for some time, continue to increase. Though the actual purchase transactions will henceforward be made mostly in India, stores will still have to be inspected abroad and this will require larger inspection staff than we have in London. The River Valley Projects, Production Units, the States and the quasi-Government Institutions are expected increasingly to procure their requirements of foreign articles through the Central Purchase Organisation resulting in additional work of inspection. Besides, we are recommending elsewhere in this Report that inspection may be undertaken at a fixed charge on behalf of the private sector for their purchases abroad—see paragraph 9.38. All these may require the Inspection Branch in London to open an office even in the Continent of Europe. Again, if the Government decide to enter into F.O.B. contracts in a large number of cases, there will be more work for the Shipping Sections in our Purchase Organisations abroad. It will thus be seen that, even if there is some diminution in the work of purchase, there will be more work for inspection and shipping.

6.19. Other foreign purchases.—There is an important question in regard to our foreign Purchase Missions which was not specifically referred to the Regional Committees. The Missions are sometimes

called upon to place formal contracts and follow up supplies in cases where preliminary enquiries and negotiations are conducted by Administrative Ministries or Technical Missions, or Special Defence Advisers attached to the High Commissioner's office. In our opinion, the need for deputing special missions abroad for purchase of stores would be very rare in view of our earlier recommendation in this Report that all purchase action should be taken in India. Where, however, such a mission is sent, a suitable representative of the Central Purchase Organisation (The India Store Department, London, or the India Supply Mission, Washington, or the Directorate General of Supplies and Disposals, Delhi) should be on the mission. It is gratifying to note that unlike the old practice of sending purchase teams abroad the recent purchase of locomotives was negotiated in this country with satisfactory results. Occasionally cases may arise where preliminary negotiations for contracts for highly specialised stores may have to be undertaken by administrative Ministries or their advisers. In such cases also, if the formal contracts are required to be signed and followed up by the India Store Department, London, or the India Supply Mission, Washington, the Head of the Organisation should be kept fully in touch with the course of negotiations as far as practicable.



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CHAPTER VII

DETERMINATION AND PLANNING OF DEMANDS

7.1. One of the Terms of Reference relates to the procedure for determination of Government demands for rationalised planning, provisioning and indenting of stores. We have examined those aspects of the subject which have direct bearing on purchase of stores, e.g., assessment of requirements, programming of indents, special indents, demands for specific makes and brands, incomplete indents, uniformity in specifications, indent estimates for prices and deliveries, budget provision, etc.

(A) ASSESSMENT OF REQUIREMENTS

7.2. **General Stores.**—Each indenting department has its own method for assessing requirements of stores (built up on past experience) which varies from store to store. Broadly speaking, assessments are made for a specified period on the basis of 'approved scales' or of actual consumption in the past. Often enough, the 'approved scales' and 'scheduled periods' result in over-indenting as assessments are not always linked with actual consumption of the store in the past or the rate of availability of the store concerned in the market. The general principles of indenting require that indenting departments, in formulating their demands, should take into account (a) existing stocks, and (b) 'dues in' (expected arrivals). Regarding (a), depletion of stocks in a central depot does not necessarily afford a true picture. Stocks get reduced through issues and it is necessary to examine what precisely is the position with the consumers of the past issues. A case may arise where stocks in a Central depot may have gone down, but requisitions from consuming units may not come up for a considerable time because of the stock position of the item with the ultimate user. As regards (b), the quantities expected against pending orders should normally be capable of fairly accurate assessment.

7.3. The Railways work out demands on the basis of maximum and minimum limits of stockholding fixed in relation to the consumption of past three years modified by known factors. The 'minimum' is reckoned on the basis of stocks required to cover consumption for the period corresponding to the time taken for replenishment of each item. With the existing time-lag of 12 to 24 months between indenting and supplies, provision has to be made for appreciable margin of minimum stocks in hand. Requirements for stores for 'works' and 'construction projects' are determined with reference to the estimates and cannot be forecast in advance.

7.4. It will be pertinent to recall in this connection the observations made by the Railway Stores Enquiry Committee—1950-51, presided over by Shri A. D. Shroff. This Committee took a very serious

view of 'unconscionably excessive' stocks carried by Railways some of which covered several years of their requirements. The reason for such inflated stocks was "the existing arrangements under which a large number of indents continue to remain pending on the *Ministry of I. & S. encourages a tendency in the minds of the Controllers of Stores of Railways to play for safety and in their anxiety to ensure stocks of stores in the face of uncertain I. & S. supplies they tend to accumulate stocks which would not normally be justified" and "the general tendency of Controllers of Stores and other consuming departments to take a too individualistic view of their own requirements and play for 'undue safety'". The Shroff Committee, therefore, had advised fuller investigation in regard to the heavy stocks held by the Railways. We apprehend that the position in regard to other major indenting departments like the Defence and the Posts and Telegraphs may not be very much different. The usual tendency on the part of indentors is to play for safety in assessing their requirements and it often leads to unnecessary locking-up of Government funds.

7.5. There is, therefore, urgent need to study the provisioning methods adopted by indenting departments, as well as State-owned industrial enterprises and important river-valley and other projects. Examination by the indenting authorities alone, or appointment of *ad hoc* committees, is not likely to achieve the objective of preventing excessive indenting. We recommend, therefore, that a Standing Sub-Committee for scrutiny of indents be established under the auspices of the proposed Purchase and Development Board for scrutinising the propriety of large-valued indents preferred by the indenting authorities. The Purchase and Development Board should co-opt the representatives of the concerned indenting departments and their accredited Finance for such studies. The Central Purchase Organisation while pursuing the purchase in the normal way should refer indents, regarding the propriety of which they have *prima facie* doubts, to this Committee for examination. It would then be possible for the purchase and Development Board to suggest measures for general improvement in the indenting procedure. We also recommend that, wherever the method of provisioning on the basis of certain prescribed scales is adopted, the assessment of requirements should be constantly checked with reference to actual consumption and other known factors.

7.6. **Spare parts.**—Assessing requirements of spare parts presents a peculiar problem. There is no satisfactory method at present for assessing spares for plant and machinery. In a large majority of cases, requirements are based on the advice of the manufacturers and indents are preferred for one or two years of working. The experience on this basis has been none too happy. In many cases, indentors were saddled with large stocks of 'slow-moving' spares and an inadequate supply of 'fast-moving' parts with the result that equipments had to lie idle. In cases such as the purchase of aircrafts and specialised equipments where they are likely to be declared obsolescent in the near future, the spares are being indented to cover the full anticipated life of the equipment. This method cannot be applied more generally owing to the difficulty in determining the 'life' for

*Now the Ministry of Works Housing & Supply.

want of experience, locking-up of funds and the possibility of discarding an equipment on account of obsolescence. It has not been possible for us to assess the total value of requirements of spares, but an estimate of about Rs. 30 crores per annum will not be far out if we take into account the heavy purchases of spare parts by the industrial and river valley projects. We are of the view that items of plant and machinery should be divided into two categories—

- (a) Where spares are normally stocked by the importing agencies in the country; and
- (b) Where spares have to be imported when required.

In the former case spares should be ordered along with the equipment for a reasonable period of working, and in the latter case indents for spares should cover the life-time requirements of the equipment based either on the experience of the use of same or similar types in the past, or on examination by a team of experts, to ensure minimum quantities being ordered. In the case of indenting departments which require large quantities of spares, we suggest that special whole-time committees should be appointed, for one year in the first instance, for continuous study of the scale of provisioning of spares for various types of equipments. Such technical committees will more than pay for the expenditure incurred through the large savings that would accrue to indenting departments through judicious indenting.

7.7. Approval of demands.—Another question in connection with assessment of requirements is the level at which demands need be approved before indents are preferred on the Central Purchase Organisation by the indenting departments. We understand that no specific instructions exist on this subject with most of the consuming departments. Cases have also been brought to our notice where indents have been placed without the approval of competent authorities. Lack of control in this respect may result in over-indenting of stores with consequential locking up of capital, or under-indenting necessitating placing of 'supplementary', 'ad hoc' or 'urgent' indents. We recommend, therefore, that specific schedules of powers should be laid down indicating authorities competent for approving demands by value as well as by nature of the stores. We recognise, however, that uniformity in this respect would not be practicable and the schedules will differ from department to department. Nevertheless, it would be advantageous if the Purchase and Development Board, in consultation with the indenting departments concerned, reviews periodically schedules of powers for approval of demands for ensuring adequate control on indenting of stores.

(B) PROGRAMME FOR INDENTS

7.8. One of the major difficulties experienced by the Central Purchase Organisation is the unplanned placing of indents for the same or similar stores required by the various indenting departments. Many of the advantages in the centralised system of purchases are lost if procurement arrangements cannot be properly planned. Unless indents for specified classes of stores are received simultaneously from at least the major indentors, demands cannot be bulked for

ensuring economy in purchases. Frequent issue of enquiries is irksome to the trade and throws unnecessary work on the Purchase Organisation. Industry is not likely to be interested in establishing new sources of supply unless demands are of appreciable size. A set programme for placing indents for specific stores at specified intervals, is, therefore, necessary.

7.9. Railway Demands.—At present, there is no programme for submission of indents except for the Railways and to some extent for the requirements of the Defence Services. The programme for the Railway indentors was drawn up in consultation with the Directorate General of Supplies and Disposals in 1946. According to this programme Railways had agreed to place their indents with the Directorate General (S&D) for certain classes of stores by certain dates and reduce the number of 'ad hoc' indents. The review of the working of these arrangements during the years 1952-53 and 1953-54, however, is not encouraging—see Appendices 14 and 15. During the year 1952-53, out of 1,316 'Programme' indents about twenty per cent. were received in time and a like number with a delay of less than one week, while thirty per cent. indents were delayed by one to four weeks and a like number beyond four weeks. The position in the year 1953-54 was no better. The number of 'ad hoc' and 'express' indents placed by the Railways was large. While we appreciate that these two years were particularly difficult for programming indents because of the re-grouping of Railways and special stores reviews undertaken in accordance with the recommendations of the Railway Stores Enquiry Committee, we hope that in future there will be closer adherence to the programme dates.

7.10. Defence Demands.—The Defence Services have their own procedure for programming indents. Every year between the months of May and August they review their overall stores position for assessing annual requirements and the bulk of their demands is placed as a result of these reviews. In addition, they have a system of 'Forward Programme' indents whereby indents for stores of less easy availability are placed eighteen months or so in advance. This has helped the Central Purchase Organisation to plan procurement arrangements.

7.11. Programme.—As stated earlier, it is necessary for the Central Purchase Organisation to have a set programme for procurement of stores, which is possible only if indents are placed sufficiently in advance and according to an agreed time-table. We recommend, therefore, that the Central Purchase Organisation, in consultation with the major indenting departments, should draw up a store-wise programme for receipt of indents. The programme should be spread over the year to ensure even load for examination of stores position as well as even flow of indents. It will be one of the responsibilities of the Purchase and Development Board to watch how this arrangement works in practice. The system of 'Forward Programme' indents followed by the Defence Services might with advantage, be extended to other major indenting departments like the P.W.D., and Posts and Telegraphs, particularly in respect of items for which there is shortage of capacity in the country, or raw materials have to be pre-arranged, or imports have to be resorted to.

7.12. **Rush of indents.**—During the course of our examination, we have also observed a marked tendency on the part of indenting departments to rush with their indents in the closing months of the financial year presumably with a view to avoid lapsing of funds. Typical cases of this nature have been cited by the Directorate General of Supplies and Disposals—see Appendix 16. It is not possible for the Central Purchase Organisation to rush through with the purchases merely because funds with the indenting departments might lapse. We recommend, therefore, that the indenting departments should plan all their requirements well in advance and avoid the last-minute rush of indents at the close of the financial year.

(C) SPECIAL INDENTS

7.13. Apart from 'programme' indents, other types of indents received in the Central Purchase Organisation are: 'supplementary' indents, covering increases in quantities of 'programme' indents, 'ad hoc' indents, covering unforeseen demands or demands of a special nature; 'urgent' indents, covering demands required urgently; 'express' indents, covering emergent railway requirements; and 'operational' indents, covering emergent demands required on operational basis. In our opinion, there is little or no difference between 'supplementary' and 'ad hoc' indents as also between 'express' and 'operational' indents. For ensuring uniformity, we suggest that the indent classification should be standardised under (a) 'programme' or 'normal' indents, (b) 'ad hoc' indents, (c) 'urgent' indents, (d) 'operational' indents and (e) 'development' indents. The last named category has been dealt with earlier in the Report—see paragraph 5.6. It will also facilitate matters if indent forms in specific colours are used for these types of indents.

7.14. Analysing the indents placed on the Directorate General of Supplies and Disposals in the years 1951-52 and 1952-53, the Ministry of Railways have furnished following statistics:

Type of indents.	1951-52		1952-53	
	Number	Value	Number	Value
		Rs.(Lakhs)		Rs.(Lakhs)
Express indents	28	7.95	203	47.52
Ad hoc indents	1249	264.54	2967	417.04
Programme indents	1200	1011.09	1708	1104.33

Limiting the analysis to indents for the same or similar stores, we find from the statistics furnished by the Directorate General of Supplies and Disposals for the years 1951-52 and 1952-53 in respect of the Railways and other Indenting Departments that the figures give a somewhat different impression:

	1951-52	
	Rs.(Lakhs)	Rs.(Lakhs)
<i>Railways</i>		
Express indents	11	21
Ad hoc indents	224	270
Programme indents	161	166
<i>Other Major Indentors</i>		
Operational	200	65
Urgent indents	904	147
Normal indents	1417	168

7.15. It is clear from the above statistics that the proportion of 'ad hoc', 'urgent', 'express' and 'operational' indents to the 'programme' or 'normal' indents, is high and throws additional labour on the Purchase Organisation. Every endeavour should, therefore, be made to reduce the number of special indents. We recognise, however, that on account of the procedure for approval of 'works' 'construction projects', etc., 'ad hoc' indents cannot be eliminated altogether. The purchase procedure has, therefore, to be so devised as to meet such requirements with the minimum possible delay. Where for instance, the number of 'ad hoc' indents is large, the Central Purchase Organisation could with advantage establish Rate/Running Contracts for the stores concerned.

7.16. The number of 'urgent' indents should, by the very nature of such demands, be kept to the minimum and placed only with the express approval of the Head of the Office. The purchaser is not in a position to exercise sufficient bargaining power while procuring stores required urgently, and it is in the interest of indenting departments themselves to avoid placing 'short-notice' indents. While the Central Purchase Organisation deals with such indents, typical indents may be referred to the Purchase and Development Board for examination at the indentors' end. The Board would then be in a position to suggest remedial measures for reducing the admittedly large number of 'urgent' indents at present being placed with the Central Purchase Organisation.

7.17. We have recommended earlier in this Report that the indenting departments should be allowed to exercise special powers for direct purchase in emergencies and that the direct purchase powers exercised at present by the Railways, Defence and the Posts and Telegraphs should be increased—see paragraph 3.6. These recommendations should reduce the large number of 'ad hoc' and 'urgent' indents placed on the Central Purchase Organisation.

(D) INDENTS FOR PROPRIETARY MAKES AND BRANDS

7.18. The evidence from trade and industrial associations has stressed that while inviting tenders the enquiries should not be restricted to particular makes or brands and that the specifications should not be so framed as to admit only a certain 'make' to the exclusion of others. The Directorate General of Supplies and Disposals is also opposed to the purchase of stores of proprietary makes as it feels that wider enquiry ensures more economical purchases. In some cases, where indents called for stores to particular makes, the Directorate General (S and D) has been successful in persuading the indenting departments concerned to accept other brands available at cheaper prices.

7.19. Nevertheless, indents for proprietary makes and brands cannot be avoided altogether. Typical indents of this nature are: indents for spare parts; indents where the consuming department has standardised one or two types of equipments for various reasons; indents for highly technical stores; indents for lubricants, as sometimes advised by the machinery manufacturers; indents for trial of

particular makes; etc. In such cases, we recommend that indenting departments should state briefly the reasons for indenting proprietary stores. It is also necessary that these indents should be placed with the prior approval of the Head of the department. Where the Directorate General (S and D) has an alternative to suggest, without holding up the coverage of the indent in question, it may try to persuade the indenter to accept the alternative, at any rate, for future indents. In exceptional cases of large value, the Directorate General (S and D) may take up the matter with the Purchase and Development Board in the event of the indenter not agreeing to an alternative. In such cases of a substantial value, the Directorate General (S and D) should cover the quantity needed for immediate requirements and refer the question of purchasing the balance to the Purchase and Development Board.

(E) INCOMPLETE INDENTS

7.20. The Directorate General of Supplies and Disposals scrutinises indents before initiating procurement action to ensure correct and complete technical particulars of the stores on demand. Defence Service indents, however, do not require such scrutiny as they are usually pre-checked by the technical directorates of the Services Headquarters. All the Civil requirements except the items covered by Rate/Running Contracts, medical stores, raw timber, unfabricated steel and spare parts, are scrutinised in the Directorate General (S & D).

7.21. **Indentors' responsibility.**—In our opinion, the responsibility for the correct description of the store as well as reference to correct drawings and specifications should rest with the indenting departments; ordinarily, there should be no need for the Central Purchase Organisation to undertake scrutiny of technical particulars. We recognise, however, that it may not be possible for *all* the indenting departments to draw up complete and up-to-date specifications for their demands of unusual nature, and the Central Purchase Organisation with its specialised knowledge would be in a better position to translate their requirements. We recommend that to start with indents for stores of recurring nature should not be scrutinised any more in the Directorate General (S & D). We are aware that by discontinuing this practice there may be in the initial stages some danger of drawings or specifications not always being complete and up-to-date. Nevertheless, we consider that the responsibility must rest with the indenter and it is our view that indenting departments must keep themselves fully posted with the latest development to ensure specifications, descriptions and drawings being up-to-date. It follows that for items of recurring nature the Central Purchase Organisation will no longer be responsible for the accuracy of specifications of stores indented and its responsibility will be limited to supply stores according to the specifications given by indenting departments. Indenting departments should indicate in their indents their last indent number and date as well as the number and date of the corresponding contract placed by the Directorate General (S & D) which would enable the Purchase Organisation to trace previous particulars.

7.22. **Clarification of indent particulars.**—During the course of our enquiry, we have observed that one of the causes for delay in initiating procurement action in the Central Purchase Organisation is the time taken for scrutiny and clarification of indent particulars. Analysis of the indent items received in the Directorate General of Supplies and Disposals during the months of March, August and November 1952 for which tenders were invited shows that in nearly 13 per cent. of the cases, references had to be made back to the indenting departments for elucidation—see Appendix 17. In other words, if we exclude the Defence indents, which are about one-third of the total indents received, a reference is required to be made to the indenting department on every fifth indent apart from the large number of indents corrected by the Central Purchase Organisation on its own. Further, in nearly 66 per cent. of such cases the Directorate General (S & D) has taken more than one week for raising queries with the indentors and in about 60 per cent. cases the indentors concerned have taken more than two weeks for furnishing the necessary information. This position is not satisfactory. We recommend, therefore, that wherever reference to the indenting department is necessary, the Central Purchase Organisation should raise such queries within one week of the receipt of indents and likewise the indenting departments should furnish the necessary information within two weeks at the latest.

7.23. Apart from incomplete specifications, many indents received in the Central Purchase Organisation are found incomplete in some other respects such as certificate of availability of funds missing; Head of Account/Accounts Officer not indicated; consignment instructions not stated; mode of despatch not shown, etc. Here again, we feel that the responsibility to ensure completion of indents should rest with the indenting departments.

7.24. Commenting on the subject of 'incomplete indents', the Regional Stores Purchase Committee in its Report on the organisation and working of the India Store Department, London, has observed:

"Whilst the Store Department has to ensure that indents, before procurement action is taken, are complete in all respects, it is not expected to 'vet' them. When an indent is complete in all respects, it should proceed on the basis that it is correct. Where an indent is incomplete and procurement action cannot be taken without a back reference, it should be returned to the indentor, for completion, pointing out where possible, the omissions. Where the indentor habitually sends incomplete indents, the fact should be brought to the notice of his superior authority."

We agree with the findings of the Regional Committee, London, and recommend that the Central Purchase Organisation should not register incomplete indents for purchases, but return them to the indenting departments, pointing out the defects. It is necessary that such incomplete indents should be returned by 'registered post, acknowledgement due' addressed to the indenting officer by name. We consider, however, that indents should not be returned for minor reasons where it is possible to initiate procurement action and obtain elucidation in the normal way. To ensure this, no indent

should be returned except under orders from an officer not below the rank of a Director.

7.25. Uniformity in particulars.—Appendix 18 cites certain stores in respect of which indents are often received incomplete in regard to particulars indicated. There is apparently lack of uniformity in describing stores—not only amongst the various indenting departments but also amongst the individual units of each indenting department. In our opinion, it is necessary to ensure standardisation in this regard, particularly in respect of stores of recurring nature. We, therefore, recommend that the Central Purchase Organisation, in consultation with the major indenting departments, should arrange for the preparation of a vocabulary of items. Such a vocabulary should specify description of each item in full, leaving only the minimum blanks to be filled by the indenter to suit his requirements. This catalogue could with advantage indicate also the reference to standard specifications, such as I.S.I., I.R.S., I.S.D., B.S.S., etc. In view of the considerable effort and initiative required for the preparation of an omnibus catalogue of stores, it will be necessary to entrust this task to a special agency under the Purchase and Development Board. We are convinced that the benefits that would accrue to the indentors as well as the Purchase Organisation through such standardisation would more than pay its cost in the long run.

(F) CHANGES IN SPECIFICATIONS

7.26. The Central Purchase Organisation experiences difficulty if an indenting officer alters specifications after submission of his indent. Indenting departments should appreciate that any change in specifications after placing of indents involves additional labour in the Central Purchase Organisation resulting in delays in supplies. More-over, the purchaser is often required to meet claims for extra cost from the suppliers, where specifications are altered after conclusion of contracts. We are aware of the difficulties of the indenting departments in drawing up full and final specifications for new and more complicated items of heavy plant and machinery required, for instance by Project Authorities, but in our opinion, scope exists to exercise additional care in this regard. There is hardly any reason why the indentors should ask for changes in specifications in stores of day-to-day requirements—like timber, basins, bins, fans, paints, lightning conductors, etc.

7.27. In regard to complicated plant and machinery where the indenting authorities experience difficulty in drawing up detailed specifications of their requirements, we recommend that there should be close association between the indenter and the Central Purchase Organisation in obtaining the necessary technical information for drafting tender specifications. Where preliminary enquiries have to be addressed to trade; we consider that it would be advantageous if the enquiries were addressed by the Central Purchase Organisation. Formal indents could then be placed according to the specifications agreed upon between the Purchase Organisation and the indenter concerned.

(G) UNIFORM SPECIFICATIONS

7.28. One method of reducing the number of incomplete indents, i.e., those lacking in essential technical particulars, and also frequent

changes in specifications would be for the indenting departments to adopt, as far as possible, specifications as laid down by the Indian Standards Institution. These specifications represent the greatest common measure of agreement in the technical field in the country between manufacturers and users and should in the long run assist in maintenance of quality and development of indigenous manufacture. The adoption of uniform standards would further enable economical purchases by polling together of demands and also ensure inter-changeability of parts, components, etc. In the interest of economy and standardisation, therefore, indenting departments should endeavour to conform to I.S.I. Specifications wherever available.

(H) INDENT ESTIMATES—PRICES AND DELIVERIES

7.29. Another major difficulty experienced by the Central Purchase Organisation is the impracticability of securing stores at the prices indicated and deliveries stipulated in the indents. Uncurrent prices and unrealistic delivery schedules necessitate consultations between the indenting departments and the Central Purchase Organisation which in turn delays supplies. Some cases have been cited by the Directorate General of Supplies and Disposals where indent estimates were found to be several times above or below the prevailing market prices—see Appendix 19. Instances have also been furnished in regard to delivery periods which were impossible of performance—see Appendix 20. In some cases, the controlling authority of the consumer was found to have taken considerable time for preparation of formal indent, leaving the Central Purchase Organisation insufficient time for procurement of stores—see Appendix 21. Instances have also been cited where despatch of indents had been inordinately delayed, reducing thereby the time available to the purchaser to arrange supplies—see Appendix 22. In a large number of cases, the necessity for utilising funds allotted in a particular budget year appears to have been responsible in stipulating unrealistic delivery period.

7.30. While preferring indents on the Central Purchase Organisation, the indenting departments should indicate briefly the basis for the prices estimated, e.g., the last purchase price, with number and date of contract, source of supply, etc. It is also the responsibility of the indenting departments to ensure in their own interest realism in indicating delivery periods for their requirements. With a little more care, it should be possible for the indentors to guide the purchase authorities more correctly in this respect. In working out the period for supply, the indenting departments should take into account all the factors having a bearing on supply, such as, availability of raw materials in the country, time for fabrication and testing of stores, transport and shipping difficulties.

(I) BUDGET PROVISION FOR SUPPLIES OF STORES

7.31. The Directorate General of Supplies and Disposals acts as an agent of the indenting departments for procurement of their requirements. When payments for stores received are made,

corresponding debits are raised against the indenting departments concerned. Thus the responsibility for making adequate provision of funds in their own respective budgets devolves on the indenting departments. A certificate is provided in the indent to the effect that necessary funds exist to cover the value of stores indented for. The certificate regarding availability of funds relates to the period during which delivery is desired by the indenter. It often happens, however, that this delivery schedule cannot be complied with by the Central Purchase Organisation; in fact, even the delivery schedule promised in the contracts is not adhered to in several cases. Moreover, it is not always possible to forecast when the actual payment for the supplies will be made. The provision of funds for the stores indented for cannot, therefore, be based on any definite anticipation.

7.32. The present practice is that when the Directorate General (S & D) finds that it would not be possible to comply with the delivery required by the indenter, a reference is made to the latter to obtain confirmation as to whether the requisite funds would be available in the extended delivery period. It may happen—as indeed it often does—that after conclusion of the contract even the stipulated delivery period has to be extended further. In such cases the Purchase Organisation again makes another reference to the indenter to make sure about the availability of funds before granting an extension. In order to cut short delays in such cases, it has been provided that a copy of the request for extension from the firm should also be sent to the indenter. Reference to the indenter for re-certification of the funds (which at their end means a further consultation between them and their financial authorities), often entails delay and tends to postpone the deliveries further. If the extension of delivery has to await confirmation from the indenter, this means more delay in receipt of supplies. In order to meet requirements of the indenter in time, it is necessary to eliminate all processes that provoke delays.

7.33. We consider that once an indenter has placed an indent, he should be deemed to have made a firm commitment for that expenditure and, that even if that expenditure does not materialise in the particular period in which he anticipated it, he should treat it as a 'carry forward' for subsequent periods in which it may be incurred. In other words, his budgeting in the subsequent periods should take due note of the commitment already made. For this purpose it would be necessary for him to have information regarding the delivery position from time to time; the Central Purchase Organisation should not find it difficult to furnish such information. We recommend, therefore, that once a commitment in respect of an indent has been made it should ordinarily not be necessary for the Central Purchase Organisation to make further reference to the indenter unless the commitment is likely to be substantially increased. Should the indenter find meanwhile that he no longer requires the stores ordered, it is open to him to advise the Central Purchase Organisation in time about withdrawal of the demand. In view of the probable contractual obligations, however, such cases should be rare.

CHAPTER VIII

PURCHASE PROCEDURE—PART I—GENERAL

8.1. Earlier in Chapters V and VI, we have dealt with the general purchase policy in relation to assistance to Trade and Industry. There are several other aspects of purchase procedure which need to be examined for ensuring economy in purchases, speed in procurement and overall efficiency of the Central Purchase Organisation. The evidence before us indicates that the procedure followed by the Directorate General of Supplies & Disposals is cumbersome. Several suggestions have been received from both officials and non-officials for simplification and streamlining of the purchase procedure. Broadly speaking, these suggestions fall under two categories—(a) General, such as Registration of Suppliers, Tender System, Sales Tax, etc., and (b) Departmental, such as Financial Advice, Audit, Service Charges, etc. We propose to deal with the general aspects of the purchase procedure in this chapter.

8.2. **General Procedure.**—On receipt of an indent, the Directorate General of Supplies & Disposals first 'vets' the technical particulars of the stores in demand. Invitations to tenders are issued, bulking like items where possible, through advertisement or limited tender enquiries according to the value, nature and urgency of requirements. Tenders are normally opened in public to afford the opportunity to all tendering firms to know the prices, deliveries and other relevant terms offered by the competitors. Quotations are then tabulated. Depending on the total value involved, the decision to award a contract is taken either by the Assistant Director concerned, or he submits tentative purchase proposals to the authority competent to decide the case. Financial advice wherever required under the rules is sought prior to deciding tenders. Sometimes, tenders are referred to the Inspection Wing or, if necessary, even to the indenting department to ascertain suitability of offers received. Such references, however, are generally limited to cases where the tender proposed to be accepted does not strictly conform to the specifications stipulated by the indenter. Once a contract is placed, it is the responsibility of the supplier to invite the inspector concerned as and when the stores are ready for inspection. Stores so inspected and accepted are then despatched to the ultimate consignee by the supplier. Payment for the stores supplied is made directly to the supplier by the paying authority nominated in the contract. As a rule, payments are made on proof of despatch or Receipt Certificates issued by the consignee.

(A) INDENT FORMS

8.3. Under the existing procedure, indenting departments are required to place their demands with the Central Purchase Organisation on prescribed indent forms. There are at present five different types of forms in use—a general form for all indentors excepting the Defence, and four others for various types of Defence demands, viz., 'forward programme', 'supplementary', 'reduction' and

ad hoc'. No particular advantage is derived either by indenting departments or by the Directorate General of Supplies & Disposals, from the use of a variety of these forms. We consider, therefore, that the forms should be examined in detail and a common form evolved for use by all indentors. In this connection, attention is invited to paragraph 7.13 of this Report where we have recommended that indent forms should be printed in different colours to indicate the nature and urgency of demands.

(B) REGISTRATION OF SUPPLIERS

8.4. Common List.—The system of registration of suppliers with the Directorate General of Supplies and Disposals is that intending suppliers apply for registration in prescribed forms obtainable on payment; registration is made after due check on their manufacturing, executive and financial capacity. During the course of our examination, we observed that the present procedure for registration of suppliers involves delays and the lists are not quite up-to-date; further, that the firms are not registered for financial limits up to which contracts could be placed on them. Some confusion also exists owing to different purchase organisations having their own lists of registered suppliers. We consider that there should be a common list of registered suppliers for all Government purchasing authorities who are substantial purchasers. A suitable procedure should be evolved for exchange of information between the Director General (S&D) and other purchasing agencies in regard to registration of suppliers and performance of contracts placed with them.

8.5. Period of validity.—It is very necessary that the list of registered suppliers should always be up-to-date. We consider that the best way of ensuring this is to provide that registration of a supplier should be valid only for three years. Before the date of expiry of the three-year period, suppliers should apply for renewal of registration. Those who fail to do so should be informed that their names have been struck off the register. In regard to suppliers who are already registered with the Directorate General of Supplies and Disposals, their registration should be deemed to lapse on a suitable date to be fixed for this purpose and they should be asked to apply for renewal of registration well before that date.

8.6. Suppliers of Plant and Machinery.—As regards plant and machinery items, we recognise the need for placing contracts with suppliers who have the necessary facilities for 'after-sales' service to meet the demands of indentors requiring such post-contract services. We are, however, informed that some indenting departments like the Railway Workshops, Ordnance Factories, etc., possess the requisite facilities and the necessary technical skill in certain lines to take care of post-contract services. We recommend, therefore, that suppliers of plant and machinery who have no facilities to offer 'after-sales' service should also be considered for registration, so that advantage can be taken of the lower prices they may offer in meeting demands of those indenting departments who do not require such services. It is, however, necessary to make a suitable note in their case to distinguish them from those who have facilities for 'after-sales' service. It is also necessary for indenting departments to

indicate in their indents whether the supplier should provide for 'after-sales' service so that tenders can be invited on appropriate basis.

8.7. Other Improvements.—In order to improve the system of registration of suppliers, we recommend that the following steps should be taken:

- (i) The system of registration should be improved to cut down procedural delays so that not more than three months are taken to decide applications for registration. Where possible, reasons for refusal to register a firm should be intimated to the applicant to enable him to improve his deficiencies. Firms refused registration, if aggrieved, may make their representation to the Head of the Organisation.
- (ii) The main criteria for registration of a firm should be its technical capacity, financial resources and reliability; and these should be carefully gone into before registration.
- (iii) The acceptance of the General Conditions of Contract should be a condition precedent to registration of suppliers. In the case of suppliers already on the list, steps should be taken to obtain their agreement in this regard.
- (iv) Registration of foreign manufacturers' agents in India should be confined to authorised dealers only and such agencies should be asked to file with the Central Purchase Organisation copies of respective Agreements with their Principals.
- (v) Registration of a supplier should be deemed to be 'provisional' until a supplier has executed satisfactorily at least one order. Once the registration is confirmed, there should be no invidious distinction between registered firms. The approval of the Head of the Office should be obtained before an offer of any registered firm is ignored on the ground of unsatisfactory past performance.
- (vi) The list of registered suppliers should be kept up-to-date with reference to their performance on past and current contracts.
- (vii) The registered firms should be suitably categorised for value of contracts with due regard to their financial capacity to execute them.
- (viii) Application forms for registration of suppliers should be made available also at the regional offices of the Directorate General of Supplies and Disposals.

8.8. Cottage and Small-scale Units.—For registration of cottage and small-scale industries, special consideration on the following lines is recommended:

- (1) No charge should be made for supply of application forms for registration;

- (ii) Certificates from Registrars of Co-operative Societies, or Directors of Industries in States, may be accepted in lieu of Bank Reports;
- (iii) The Inspecting Authority should render all possible assistance to these units to enable them to come up to acceptable standards; and
- (iv) In consultation with the State Directors of Industries, where necessary, registration should be open to commercial agencies and individuals who market such products.

8.9. Registration Section.—In our opinion, more controlling responsibility should devolve on the Central Registration Section of the Directorate General of Supplies and Disposals, which should serve as an encyclopedia for sources of supply and past performance of suppliers. For this purpose, an 'index card' system based on mechanical enumeration should be introduced. The Registration Section should maintain two basic lists; one, the list of registered suppliers indicating the stores for which each supplier is registered and the other, the list of stores indicating the suppliers registered for each item. These lists, as amended from time to time, should be supplied to other Government Purchasing Agencies for their use. We attach considerable importance to the review of the lists of registered suppliers on the basis of performance against contracts placed from time to time and we are recommending elsewhere in this Report that the Registration Section should maintain 'performance' registers—see paragraph 9.26. It is also necessary to review the lists for recording changes, if any, in suppliers' manufacturing capacity.

8.10. Preference to registered suppliers.—The general policy should be to place bulk contracts with registered suppliers and only 'educational' or 'trial' orders with unregistered parties. The acceptance of this proposal presupposes a really effective system of registration for which we have already suggested certain measures. Until the registration system is sufficiently improved so that all reliable suppliers are registered, it may be necessary, in some cases, to place orders on unregistered firms which are nevertheless capable of undertaking supply. In any case, against advertised demands, tenderers should be asked to quote their registration number and state clearly if they are registered for the particular store.

(C) TENDERS

8.11. Limited Tenders.—The usual practice with the Directorate General of Supplies & Disposals is to invite tenders for supply of stores. Advertisement should be the normal method for calling tenders. Under the present rules, all demands over Rs. 5,000 in value are required to be advertised except in cases of urgency, or where the stores are of a proprietary nature. We consider that in the case of indents of the value of Rs. 10,000 and below, it should be open to the purchase officer, in the interest of expedition, to limit the enquiry to a few firms selected from amongst the panel of registered suppliers. In such cases, selection should be made by rotation (in consultation with the officer next senior to the one empowered to deal with the case) subject to the inclusion of the regular and satis-

factory suppliers. We find that such indents form comparatively a small percentage of total purchases. This procedure may be reviewed from time to time by the Purchase and Development Board.

8.12. A 'limited tender' system may also be adopted in the case of urgent demands exceeding Rs. 10,000 in value, but enquiries should be issued to all the registered suppliers and simultaneously, a notification should be inserted in the 'Bulletin' of the Central Purchase Organisation which we are recommending elsewhere, as well as in the Indian Trade Journal.

8.13. **Quotations 'F.O.R. Despatch'.**—In the 'Invitations to Tenders' based on 'F.O.R. Station of Despatch', some confusion exists in the minds of tenderers regarding the responsibility for arrival of stores in good condition at destination. To obviate this difficulty a special clause should be incorporated in the 'Invitations to Tenders' to indicate that, although the quotation is F.O.R. and Government will not pay separately for the transit insurance, if the tenderers so desire, they might include the element of transit insurance in the F.O.R. quotations, as they will be held responsible until the stores arrive in good condition at destination.

8.14. **Time allowed for tendering.**—We have had complaints from various Trade and Commercial Associations that in certain tender invitations, sufficient time was not given to enable the tenderers to study carefully the relevant drawings and specifications for estimating prices and preparing samples, etc., before tendering. We consider it important that the time allowed to prospective tenderers should be adequate. We recommend, therefore, that, against demands other than emergent ones, a minimum period of six clear weeks should be allowed to tenderers to quote for imported stores, or goods that have to be manufactured to special design, or where samples are required with tenders; for common articles purchased day to day, at least thirty clear days should be allowed for receiving quotations.

8.15. **Receipt, custody and opening of tenders.**—It might be of some interest to detail the procedure in regard to receipt, custody and opening of tenders in the Central Purchase Organisation. A gazetted officer is responsible for the receipt, custody and distribution of tenders received in response to enquiries issued. Tenders received by post are separated from the general dak under the supervision of the Section Officer. They are then collected and brought in a closed box to the officer-in-charge at fixed hours everyday. Tenders delivered by hand are required to be placed in a locked Tender Box kept specially for this purpose. This box is cleared on every working day at 10.00 A.M. by the officer-in-charge. Tenders received by post and those cleared from the locked Tender Box are then sorted out and are kept in a pigeon-hole cabinet, under lock and key, arranged according to the date of opening marked on the covers. The key of the Tender Box as well as that of the cabinet remain in the custody of the officer-in-charge of tenders.

8.16. In the notice to tenderers, the time, date and place of opening of tenders are specified. Ordinarily, tenders are opened at 11.30 A.M. on the date fixed for receipt of tenders. All tenders received by 10.00 A.M. on that date—whether by post or by hand—are

entertained. Every morning, tenders due for opening on the date are forwarded to the Assistant Director concerned by the officer-in-charge and a receipt obtained.

8.17. Tenders are usually opened by the Assistant Director of Supplies concerned. Tenders for stores estimated to cost Rs. 5,000 or over are normally opened in public in the presence of the tenderers. As each tender is opened, the major particulars of the tender, e.g., price, quantity, delivery terms, etc., are announced. Each tender is numbered serially, initialled and dated on the front page by the presiding officer. Each page of the schedule or letter attached to the tender, as also alterations, if any, are initialled by the presiding officer. No amendment to a tender or clarification thereof is permitted at the time of opening. A record is kept of the number of tenders received and opened. Tenders received after the due date and time fixed for the receipt of tenders are opened by the Assistant Director concerned in the presence of a senior officer, both of whom authenticate such tenders.

8.18. We are informed that, in some departments, two or more officers are present at the time of opening of tenders. We understand that, during the War, the practice of two officers opening tenders was in existence for some time in a part of the Directorate General of Supplies and Disposals. This practice was, however, given up. We have received no complaints against the working of the present system which is, by and large, satisfactory. We feel, however, that the time for receipt of tenders (i.e., 10.00 A.M.) could with advantage be advanced to 12.00 Noon to enable prospective tenders to obtain the full benefit of postal delivery. Opening of tenders could then commence at 2.30 P.M. the same day.

8.19. **'Late' and 'Delayed' Tenders.**—We have carefully gone into the existing orders and the procedure at present followed by the Directorate General of Supplies and Disposals regarding admission of what are called 'late' and 'delayed' tenders. Our considered view is that 'late' tenders, i.e., tenders received after the specified time of opening, should not be considered at all. 'Delayed' tenders, i.e., tenders received before the time of opening, but after the due date and time of receipt of tenders, should also not be considered, save in exceptional circumstances, where the purchase officer feels that the response through other tenders received in time is not adequate, or competitive, and it is established that the delayed tender is *bona fide* in the sense that no undue advantage would accrue to the tenderer through such consideration. In such cases, the personal approval of the Director General (S&D) should be sought before admitting delayed tenders for consideration.

8.20. **Cancellation of and re-invitation to tenders.**—We find that out of 16,660 indent items (value Rs. 19,80 lakhs) received by the Directorate General of Supplies and Disposals during the months of March, August and November, 1952, tenders were invited for 10,625 indent items (value Rs. 8,64 lakhs). Of these, in no less than 858 items (value Rs. 1,03 lakhs), tenders were cancelled; this meant that there was re-invitation to tender in respect of about 8 per cent by items, or 11 per cent by value. While in certain exceptional cases

re-invitation to tenders may be inescapable, we consider the percentage unduly high; in our view, the percentage of tenders cancelled and re-invited should not ordinarily exceed one per cent. The tendency to re-invitation militates against sanctity of tenders; it not merely delays supply but also proves irksome and embarrassing to the trade. We consider that re-invitation to tender can be justified only where there has been a material change in basic specifications after receipt of tenders, or where the offers received do not conform to specifications in important respects, or where prices quoted are unreasonably high, or because of a sudden slump. Even in such cases, re-invitation to tender requires very careful consideration. In order to ensure that tenders are re-invited only in exceptional cases, we suggest that prior approval of the Director General should be obtained before cancelling tenders. In the regional offices, however, with a view to avoid delay, Directors may authorise cancellation of and re-invitation to tenders, but details of such cases should be reported to the Director General.

(D) NEGOTIATED PURCHASES

8.21. By and large, purchase is normally arranged by the Central Purchase Organisation on the basis of competitive quotations received against 'advertised' or 'limited' tender enquiries. It is stated that, in special circumstances, purchase by the usual method of inviting tenders is not feasible, e.g., large purchase of jute goods on account of the peculiar nature of the jute trade or where supplies are in the hands of a single or monopolistic concern, or when stores are required most urgently, or where response to tenders indicates very high prices. In such cases, purchases are made through 'negotiations'. Such negotiations, we are informed, are carried out by senior purchase officers in association with finance officers up to the limits of powers delegated to them.

8.22. An analysis of contracts placed by the Directorate General of Supplies and Disposals during 1952-53 shows that out of 12,318 contracts valued at approximately Rs. 56.66 lakhs (these figures exclude purchases against Rate/Running Contracts) 1,425 contracts valued at approximately Rs. 20.59 lakhs were placed through negotiations which works out to 12 per cent by number, or 36 per cent by value. This high percentage, we are informed, is due to large purchases of jute and jute goods through negotiations, which account for roughly half the number and half the value of negotiated contracts. We consider that negotiations should be undertaken only in exceptional circumstances, and that advertisement should be the normal medium for effecting purchases; we also feel that negotiations after tenders have been opened should be severely discouraged. Where, however, competition is restricted and there are only two or three firms or a group of allied firms producing the stores in demand, *ab initio* negotiations with the industry concerned may be more advantageous than calling for tenders.

(E) SPECIAL CONTRACTS

8.23. The general practice with the Directorate General of Supplies and Disposals is to invite tenders and conclude contracts on 'firm price' basis. Occasionally in special circumstances, however,

contracts are also placed on 'cost plus' basis or incorporating special Price Variation Clauses. Out of 16,660 indent items valued at approximately Rs. 20 crores received by the Directorate General (S&D) in the months of March, August and November, 1952, 242 items (valued at Rs. 1 crore) were covered by contracts on 'cost plus' basis and 3,589 items (valued at Rs. 2 crores) were covered by contracts with Price Variation Clauses. The 'cost plus' contracts in some cases included the *force majeure* clause as well. In the buyers' market to-day the need for 'cost plus' contracts is receding and every endeavour should be made to conclude contracts on a 'firm price' basis.

8.24. It is mostly in the case of contracts for engineering stores that Price Variation Clauses are at times allowed when suppliers are not in a position to accept orders otherwise. The types of clauses adopted in the purchase of indigenous products are: 'Wages Escalator' Clause, Clause allowing variations in the cost of raw materials, and 'Abnormal Conditions' Clause. In our opinion, the time has now come when the 'Abnormal Conditions' Clause could be revoked altogether. The application of the 'Wages Escalator' Clause should also be discouraged. The 'escapes' over cost of raw materials should be confined to items of controlled commodities, e.g., iron and steel, and there should be no need for allowing such 'escapes' when controls are removed.

8.25. In regard to imported stores, we are informed that price variations are allowed on F.O.B. costs, and at times also on rates of exchange, customs duty, sea freight and transit insurance. In most of the invitations to tenders for imported stores, a standard Price Variation Clause suggesting adjustment on F.O.B. prices is included which explains the large number of such contracts to-day. During the War, and a few years immediately thereafter the manufacturers abroad might not have been able to quote firm prices; but the conditions in the world market these days are fairly settled. In our opinion, therefore, there is no reason why the purchaser should hereafter allow for adjustments in F.O.B. costs in the case of purchase of imported stores. In making such purchases, we recommend that the Central Purchase Organisation should follow the commercial practice and enter into contracts only on the basis of 'firm prices', the practice of incorporating a Price Variation Clause in invitations to tender should be discontinued.

8.26. A large number of contracts placed in the past with various Price Variation Clauses are at present pending finalisation of prices, and more cases may come up as deliveries materialise. The present practice whereby these cases are finalised by purchase officers is, in our opinion, not quite appropriate. This is essentially the work of experienced accountants. We recommend, therefore, that, so long as the number warrants, a small Accounts Section may be created either with the Accountant General, Food, Rehabilitation and Supply, or the Chief Cost Accounts Officer—preferably the latter—for finalising prices in such contracts.

(F) SALES TAX

8.27. In the non-official evidence before us there has been severe criticism in regard to the procedure followed by the Central Purchase

Organisation over the reimbursement of Sales Tax to suppliers. According to the rules in force, tenders are invited exclusive of Sales Tax and tenderers are required to indicate separately the amount of Sales Tax if it is intended to be claimed from the purchaser. The claims on this account are admitted only if the charge is legally leviable. We gather that, in view of certain controversial constitutional issues involved in determining the legal validity of tax in individual contracts, suppliers have considerable difficulties in obtaining reimbursement.

8.28. We understand that the commercial practice is to purchase stores on the basis of all-inclusive prices (inclusive of Sales Tax and other local taxes). We see no reason why a similar practice should not be adopted by the Central Purchase Organisation also. We recommend, therefore, that quotations should be invited on an all-inclusive basis, i.e. inclusive of Sales Tax and other local taxes. Such a practice would avoid hardship to suppliers and also simplify the procedure regarding finalisation of payment for purchases. In the case of large purchases from non-competitive sources, however, the existing practice of concluding contracts exclusive of Sales Tax (Sales Tax being paid separately) may continue.

(G) RECKONING OF INLAND FREIGHT

8.29. Under the present procedure for Government purchases, no special consideration is accorded to products available at or near the station of consumption/initial storage. A certain measure of price preference to articles available in the region, however, exists as the practice with the Directorate General of Supplies and Disposals is to invite tenders on the basis of 'F.O.R. station of despatch', assess freight charge to destination and then compare quotations on the basis of what it would cost to the consignee inclusive of inland freight. In other words, the products available locally get a virtual preference to the extent of the element of freight that will have to be incurred on transport of stores offered by outstation suppliers. We are informed that the purchase officers are experiencing considerable difficulty in assessing freight charges with sufficient accuracy. In some cases, information in regard to chargeable weight/volume is not available; sometimes references are required to be made to Railway authorities to ascertain the applicable tariffs which vary from commodity to commodity. In marginal cases, the lowest quotation accepted on the basis of 'F.O.R. station of despatch' may ultimately prove slightly higher than the one ignored if accurate data for assessing inland freight is not available at the time of deciding tenders.

8.30. A suggestion has been made to us that the inland freight need not be taken into account while comparing tenders to afford equal opportunities to manufacturers situated far or near. This way, the element of regional preference available to local manufacturers will be lost and a purchase deal may not necessarily be the most economical from the indenter's point of view, nor from the point of view of saving in transport. We recommend, therefore, that in regard to all purchases of stores other than those for which concessional Railway Tariffs are applicable, tenders should be invited and

contracts placed on F.O.R. destination basis; this will obviate the necessity of assessing freight charges to destination. Where consignments are carried at special Railway Tariff rates, tenders should be invited on 'F.O.R. station of despatch' basis as at present, and tenderers should be asked to state in their offers the chargeable weight of the consignment. In the Central Purchase Organisation, there should be a Railway Freight Section—manned by personnel conversant with Railway Tariffs—which will be in a position to advise purchase officers on chargeable freight rates to enable them to decide on the most advantageous purchase in these cases.

(H) PURCHASE OF STORES FROM STATE-OWNED INDUSTRIES

8.31. State-owned industries fall under two broad categories: (i) Commercial units, like the Sindri Fertilizers, and (ii) Non-Commercial units like the Ordnance Factories.

8.32. Normally, Government establish commercial undertakings in fields or lines where production in the private sector either does not exist, or is insufficient. Ordinarily, therefore, the question of such undertakings competing with the private industry should not arise and Government purchases could be made from the State-owned units without affecting the private sector of the industry. In making such purchases, the normal method of calling for tenders should be followed and the State-owned commercial units, as well as the undertakings in the private sector of the industry, should be free to offer their products on competitive basis. There may, however, be special circumstances when the Government may have to confine its purchases to the State-owned undertakings instead of the normal method of calling for competitive tenders.

8.33. The position in regard to Ordnance Factories is somewhat different. In the interest of defence of the country, we recognise the need for maintaining in the Ordnance Factories adequate labour force and capacity even in peace-time for being switched over to armament production when required. On the other hand, because of the lower and fluctuating load of Service requirements, it may not be always possible to keep sufficient number of skilled and un-skilled labour usefully employed in these factories during peace-time. It is, therefore, essential that, if at any time the peace-time labour force or capacity should become surplus to special Defence requirements, other productive work should be found for them. Under such circumstances, we consider that the Ordnance Factories should be engaged on other Government work in order of priority given below:—

- (i) Requirements of stores which are normally imported; and
- (ii) Other requirements where the indigenous production is insufficient to meet the country's total demands.

Should it, however, not be possible to engage in full the surplus capacity and labour on these types of orders, the Ordnance Factories may be utilised for meeting other normal demands of articles manufactured in the private sector of the industry. It is, however, essential that the extent of labour force required to be

maintained in the Ordnance Factories during peace-time should be assessed very carefully, so that the utilisation of these units in this direction is kept to the minimum. Further, we are of the view that a State-owned industrial unit—whether commercial or otherwise—should not create additional capacity through employment of additional labour, or capital, or both, in lines where enough production exists in the private sector.

8.34. We are informed that the value of Civilian orders executed by the Ordnance Factories annually is not more than Rs. 2 crores. The present procedure in regard to the utilisation of Ordnance Factories for meeting Civilian demands is for the indenting departments to place their indents directly with the Ordnance Factories, provided their prices approximate with the market prices as certified by the Directorate General of Supplies and Disposals. We recommend that this procedure should continue.

(I) PREFERENCE TO TRIED FIRMS, MAKES AND BRANDS

8.35. Earlier in this chapter, we have suggested that registration of a supplier should be deemed to be 'provisional' until he has executed satisfactorily at least one order and that after the registration has been confirmed, no discrimination should be made in the tenders received from registered firms on the plea of past performance—see paragraph 8.7. A suggestion has been made to us that from the point of view of ensuring quality and timely supplies, a certain degree of weightage might be given to tenders from tried firms and for tried makes and brands. We have considered this question carefully and are convinced that ordinarily no distinction should be made between a registered firm of long standing and a newly registered firm. Such discrimination, in our opinion, is likely to impede the development of indigenous manufacture, particularly in the cottage and small-scale industries. In such cases, as in others, contracts should be placed with due regard to capacity, price, acceptability of the product, delivery period, etc. In the case of 'urgent', 'operational' or 'express' demands, however, where supplies by the due date are of utmost importance, a certain degree of preference to firms with record of good performance may be allowed.

8.36. There are, we understand, certain stores like brushes, paints, oils, electrodes, etc., where specifications and laboratory tests are not always enough to enable one to assess the quality of products and some preference is, therefore, required to be given in the light of experience gained under actual working conditions. Notwithstanding the general principle that there should be no discrimination amongst registered firms, we recognise that in such cases there may be need to limit the choice within the range of tried makes and brands. Such items, in our opinion, should be few indeed. We recommend that the Purchase and Development Board, in consultation with the Ministries concerned, should draw up a list of items where purchases should be restricted to specified makes and brands. Further, with a view to widening the sources of supply of these items, the Board should arrange for trials of new products or brands in consultation with the major indenting departments concerned.

(J) ISSUE OF IMPORT LICENCES

8.37. It is stated that one of the reasons for delays in supply of imported stores is the difficulty experienced by suppliers in obtaining import licences. We gather, however, that this difficulty has been reduced to some extent in the recent years with the appointment of a special officer with the Chief Controller of Imports and Exports, New Delhi, to look after the issue of licences required against contracts placed by the Directorate General of Supplies and Disposals. We consider it necessary that, in the interest of expeditious supplies, the Central Purchase Organisation should assist the suppliers in timely issue of import licences. For this purpose, the Purchase Organisation should establish close liaison with the Chief Controller of Imports and Exports.

8.38. It is possible, particularly in regard to commodities where imports are restricted, that a supplier may quote slightly lower prices if the purchaser guarantees to arrange with the Chief Controller of Imports and Exports issue of special import licences for the stores in demand; in other words, he is prepared to purchase an import licence which in the normal way would not be available to him. Cases have also been brought to our notice where a successful tenderer was given a special import quota to meet the requirements of the Directorate General (S&D), while this aspect was not made clear to all the tenderers at the time of issue of enquiries. Anomalies of this nature should be avoided. We recommend, therefore, that as a rule all tenders for imported stores should be invited on the basis of the supplier meeting the demand from his normal quota of imports.

(K) PURCHASE OF SPARE PARTS

8.39. We understand that machinery manufacturers in more advanced countries, particularly the U.S.A., secure a large number of parts and accessories from specialised primary manufacturers and themselves manufacture only a few components of their branded equipments. It is stated that in some cases, specially for heavier types of machinery, as much as seventy per cent of the parts are collected from primary manufacturers, and only about thirty per cent are of 'factory-origin'. The purchase of spares direct from primary manufacturers (or their agents) should, it is argued, result in saving to the purchaser in most cases; sometimes the prices quoted for spare parts by the machinery manufacturers are two to three hundred per cent higher than those offered by the primary manufacturers. We gather that one major Government purchaser in the U.S.A. adopts the practice of procuring spare parts from primary manufacturers. On the other hand, users are somewhat reluctant to purchase non-branded spares because of the likelihood of obsolete or rejected parts being supplied, vital changes at times made by the machinery manufacturers in 'bought-out' components, the possibility of equipment suppliers disowning the responsibility in the event of use of non-branded spares, and generally such supplies being regarded with suspicion.

8.40. We have examined this question carefully and fully appreciate the element of risk involved in the purchase of cheaper non-branded spares. Apart from the risk, however, considerable labour

is also involved in linking up machinery manufacturers' part numbers with the primary manufacturers' catalogue numbers and in preparing exhaustive comparative statements on receipt of tenders, as well as in assessing quality of products offered. Ordinarily, therefore, spare parts should be purchased from machinery manufacturers or their accredited agents. Nevertheless, in some cases at least, the risk is not so great as to justify the payment of the high prices charged by the machinery manufacturers for spares which they, in fact, obtain from the primary manufacturers. For instance, in items like electrical accessories, pressure gauges, cutting tools, filters, fuel pumps, water pumps and the like, little or no risk is involved in direct procurement from reputable primary manufacturers, or their agents, particularly when they are in a position to guarantee performance for the purpose. The discretion to purchase cheaper non-branded spares should rest in the main with the user of the equipment who should be able to assess the risk involved, as compared with the saving. The annual Government demand for spare parts runs into several crores of rupees. Therefore, even if in a few isolated cases, some unsatisfactory spare parts find their way into users' godowns, the overall economy in purchasing such spares from primary manufacturers or their agents, will more than offset the occasional losses. We, therefore, recommend that the Central Purchase Organisation, in consultation with the indenting departments, should, in appropriate cases, consider the advisability of procuring spare parts on an open-tender basis. Doubtful cases involving large values should be brought to the notice of the Purchase and Development Board.



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CHAPTER IX

PURCHASE PROCEDURE—PART II—CENTRAL PURCHASE ORGANISATION

9.1. Having considered the major aspects of general interest in the preceding chapter, we now proceed to deal with other procedural issues concerning mostly the Purchase Organisation itself, e.g., Bulking of Demands, Rate Contracts, Control Data, Financial Advice, Audit, Departmental Charges, Stores Purchase Rules, etc.

(A) BULKING OF INDENTS

9.2. As stated earlier in Chapter VII under 'Programme for Indents', an essential feature of the system of centralised purchases is the effective bulking of demands for the same or similar types of stores from different indentors. The advantages are obvious—apart from being conducive to economy in purchase, it ensures an even distribution of load on the industries as a result of planned delivery programmes and also encourages development of indigenous manufacture through standardisation. It will be very necessary, however, to proceed with some caution in this matter as a sudden demand for large quantities at any time might well disturb the market, especially in regard to commodities the production capacity of which is limited. The balance is, however, in favour of bulking of demands in respect of commodities with assured or expanding production.

9.3. Under the present practice, bulking of demands in the Directorate General of Supplies and Disposals is almost entirely confined to the demands arising within certain departments, like the 'Programme' indents from Controllers of Stores under the various Railways or the bulk demands sponsored by the Defence Ministry. Excluding the purchases against Rate/Running Contracts, out of the total purchases worth about Rs. 57 crores made by the Directorate General (S&D) during the year 1952-53, indents of the value of only Rs. 63 lakhs were bulked, which works out to a little over one per cent. In all, 750 indent items were bulked against the total of 3,268 indent items received under the approved programme for bulking. We find that no attempt is made to bulk demands from various departments which send their indents at different times. Even though demands received at about the same time are occasionally bulked, by and large bulking of inter-departmental demands is more by accident than by design.

9.4. We consider that the utmost effort should be made to bulk demands in respect of the maximum number of stores. The Central Purchase Organisation should, in consultation with the major indenting departments, arrange for the bulking of selected items known to be generally in demand with a view to conclude Rate Contracts as the final objective. The benefits of bulking are fully available through the system of Rate/Running Contracts.

(B) RATE/RUNNING CONTRACTS AND PRICE AGREEMENTS

9.5. At present, the Directorate General of Supplies and Disposals has seventysix types of stores on Rate Contracts placed with 271 suppliers and nineteen types on Running Contracts with 112 suppliers—see Appendices 23 and 24. The difference between a Rate Contract and a Running Contract is that the former does not commit the purchaser to any specific drawal, while the latter is linked with a quantitative commitment plus/minus 25 per cent. In both the cases, the suppliers are required to maintain certain stocks so that immediate requirements can be met “off the shelf”. In addition to Rate/Running Contracts, the Directorate General (S&D) has recently started a system of ‘Price Agreements’ with importing agencies for purchase of spare parts, prices being fixed on certain formulae. The main difference between a Price Agreement and a Rate Contract is that the former is operated upon by the Purchase Organisation alone, while in the latter case the indentors borne on the list of ‘Direct Demanding Officers’ are authorised to place orders directly on the suppliers.

9.6. There is unanimity in the evidence before us that the system of Rate/Running Contracts and Price Agreements has been of considerable assistance to the indenter as well as to the supplier. Under this system indentors are in a position to obtain supplies more expeditiously and the suppliers can plan production well in advance to meet the demands. While we recognise that certain items of stores are not suitable for being placed on Rate/Running Contracts, as the system has to be confined to standard stores of a repetitive nature, we feel that there is further scope for extending this system to many more items. We recommend, therefore, that the Central Purchase Organisation should endeavour to establish a greater number of Rate/Running Contracts, so that the indentors can draw upon them without the formality of an indent. It seems to us that a start could be made with the items listed in Appendix 25. We also feel that the number of Price Agreements could be increased; wherever possible such agreements should be converted into Rate Contracts to enable the indenting departments to place orders directly on the suppliers.

9.7. Several instances have been brought to our notice where prolonged delays have taken place in renewing Rate/Running Contracts. We consider it important that such contracts should be renewed in time. An improvement would be that these contracts should be entered into for a period of two years—the present practice is one year—subject to review of prices at the end of the first year. In regard to ‘development’ items, where new sources of indigenous production are required to be established, we have already recommended that the Government should guarantee a certain minimum ‘off take’ annually for a number of years and that the prices should be fixed after taking into account the higher costs during the development period—see paragraph 5.6. In such cases it will be necessary to enter into Running Contracts for a longer duration, say, upto about five years.

9.8. In a large number of Rate/Running Contracts monetary limits have been prescribed beyond which the Direct Demanding

Officers are not empowered to place orders. This is being done presumably with a view to ascertain through normal trade enquiries the possibility of more economic purchases on account of the size of an individual demand. In practice, however, there have not been many cases where such demands could be placed more advantageously outside the Rate Contracts. We recommend, therefore, that the practice of incorporating financial limits in such contracts, which only delays the procurement action, should be discontinued and that all demands arising during the currency of such agreements should be met by placing orders against Rate Contracts.

9.9. Normally, Rate/Running Contracts include a Fall Clause on the following lines:

"It is a condition of this contract that all through the currency hereof, the price at which (notwithstanding any stipulation hereof contained) you will supply stores hereunder, shall be.....per cent less than the lowest at which you will sell these or similar stores to any other party. In the event of prices going down, you will promptly give us full information in respect thereof, enabling us to amend the prices stipulated in this contract."

It has been represented to us that such a provision is not quite in line with the commercial practice, and that it sometimes places non-Government indentors at a disadvantage. While we agree that the Central Purchase Organisation as the largest single buyer in the country should be protected against a fall in prices in long-term arrangements and should also be charged only the lowest price charged to any customer, we consider that the same objectives can be achieved by a simple clause to the effect that the rate of supply to the Central Purchase Organisation under the Rate Contract shall in no circumstances exceed the lowest price charged by the supplier to any customer during the currency of the Rate Contract and that in the event of prices going down the supplier shall promptly furnish such information to the Purchase Organisation enabling the latter to amend the contract rates for subsequent supplies. We recommend that the clause in its present form should be discontinued and a suitable new clause drafted. The clause should also provide for a certificate to be recorded by the supplier on his bills to the effect that the price condition is satisfied.

9.10. During the course of our enquiry, we have observed that the statistics of drawals against Rate/Running Contracts are not maintained properly. These statistics should be kept store-wise, indenter-wise, as also supplier-wise, so as to enable the purchaser to assess the total annual requirements, requirements of an individual indenter and performance of the supplier.

(C) REPEAT ORDERS

9.11. Excluding 44,929 Supply Orders (Value: Rs. 27 crores approximately) placed against Rate/Running Contracts during the year 1952-53, the Directorate General of Supplies and Disposals had placed 12,318 other contracts valued at nearly Rs. 57 crores. Out

of these, Repeat Orders (i.e. orders placed on recent suppliers of identical stores without inviting tenders) were 142 in number covering an aggregate purchase of approximately Rs. 28 lakhs, which roughly works out to one per cent by number or half a per cent by value—see Appendix 26. According to the present procedure the Directorate General (S&D) can consider indents upto Rs. 2 lakhs in value for placing Repeat Orders against contracts concluded during the previous three months, provided the purchaser is satisfied that during the intervening period there has been no downward trend in prices. The powers at various levels of the purchase officers for placing Repeat Orders are also restricted. While we are not inclined to suggest any increase in the value limits of indents for placing of Repeat Orders, we feel that in the comparatively steadier market conditions these days an increased use of the system of placing Repeat Orders would be of advantage. The time lost in re-advertising numerous recurring demands for ascertaining market prices can be avoided and stores procured more expeditiously. We recommend, therefore, that, in the case of indents below Rs. 2 lakhs in value, Repeat Orders may be placed with the original suppliers, provided this can be done within six months of the placing of the original contract and provided also the new demand is not in excess of 50 per cent. of the quantity ordered originally. We would, however, like to make it clear that placing of repeat orders is no substitute for the system of concluding Rate/Running Contracts and this method of purchase should be resorted to only in cases where Rate/Running Contracts are not found feasible.

(D) IGNORING OF LOWER TENDERS

9.12. It has been represented to us that the Directorate General of Supplies and Disposals at times ignores lower offers without sufficient justification. Some of the reasons for passing over the lower offers are:

- (a) Stores offered much later than required.
- (b) Delivery not guaranteed.
- (c) Offers not to specification.
- (d) Special conditions stipulated not acceptable.
- (e) Manufacturing capacity doubtful.
- (f) Past performance unsatisfactory.
- (g) Preference to indigenous stores or products of cottage and small-scale industries.
- (h) Preference to firm-price offers.
- (i) Offers for untried makes and brands.
- (j) Capacity fully booked, or large orders outstanding.

9.13 Under the existing rules purchase officers in the Directorate General of Supplies & Disposals may pass over lower offers for good and sufficient reasons which have to be recorded. A study of the figures furnished by the Directorate General (S & D) shows that, out

of a total number of 16,660 indent items of a value of Rs. 20 crores approximately, received during the months of March, August and November, 1952, tenders were invited in respect of 10,625 items valued at little over Rs. 8.6 crores. Of these, contracts were placed with other than the lowest tenderers for 449 items valued approximately at Rs. 90 lakhs.

9.14 The powers delegated to purchase officers in regard to passing over of lower offers are as follows:—

Types of cases	Officers competent to sanction the passing over of lower offers
(i) Where the value of purchase is less than Rs. 5 lakhs.	Purchase officer concerned with the approval of the next senior officer.
(ii) Where the value of purchase is above Rs. 5 lakhs but less than Rs. 25 lakhs.	Director General, in consultation with Finance.
(iii) Where the value of the purchase is Rs. 25 lakhs, or over	Ministry of Works, Housing & Supply, in consultation with Finance.

We gather, however, that, where offers are different from basic requirements and/or delivery terms are unsuitable, purchase officers themselves—within their normal powers of purchase—ignore lower tenders after recording reasons therefor. The number of cases of passing over lower offers is not appreciable; in order, however, to inspire confidence amongst suppliers, we consider that a decision to ignore a lower offer, except on the ground of a major deviation in specifications, should be taken only with the approval of the next higher officer, or in association with Finance as recommended later—see paragraph 14.21.

(E) REFERRING TENDERS TO INDENTING DEPARTMENT

9.15 One of the reasons for delays in deciding tenders is the time taken between the purchase organisation and the indenting department concerned in inviting comments from the latter where such consultations on receipt of tenders are deemed necessary. We understand that the more important reasons necessitating such consultations are: Indentor's desire to be associated with the purchase organisation while placing orders, indents for trade-quality supply, absence of offers to requisite specifications, possibility of substantial economy through purchase to somewhat different specifications, or any other similar consideration for technical assessment of the tender proposed to be accepted. Out of 10,625 indent items received in the months of March, August and November, 1952, by the Directorate General of Supplies & Disposals for which quotations were invited, tenders were referred to the indenting departments for 465 items, which works out to 4½ per cent approximately—see Appendix 27. In about 30 per cent of these cases, consultations with the indenting departments were concluded within a fortnight from the date

of reference, while in about 11 per cent cases replies from the indenting departments were not received for over 8 weeks. A few cases have also been brought to our notice where the tenders referred to the indenting departments were not returned for a period of six months or more. This position is not satisfactory. In the first place, with the technical assistance available at the Central Purchase Organisation from its Inspection Wing, occasions for referring tenders to the indenting departments should be few. Secondly, even where such consultations are necessary, it should be possible to decide the tenders without undue delay.

9.16 In our opinion, the present procedure of sending tenders to the indenting departments for comments should be discontinued immediately. Apart from the delays that may ensue in deciding tenders, tossing of tenders from one department to another is an unhealthy practice. Wherever consultations with the indenting department are deemed necessary, personal discussions should be arranged for expeditious disposal. If an indenter has expressed his desire to be consulted prior to placing of contracts, due intimation should be given to him about the date of opening of tenders and the probable date when his presence would be necessary. Likewise, in the case of highly specialised and complicated stores, where in addition to the normal purchase procedure, the technical assessment of the offers by the indenter is considered necessary, advance intimation should be given to the indenting department to keep an authorised representative in readiness to attend such meetings at short notice with a view to avoiding delays in holding conferences. The purchaser should also consider the desirability of inviting tenders in duplicate in more important cases so that one set could be sent to the indenter well in advance for initial examination of tenders. In any case, the purchaser should be ready with tentative purchase proposals at the time of such conferences to avoid delays.

(F) DISCRETION TO EXCEED PRICES INDICATED BY INDENTORS

9.17 Elsewhere in the Report, we have recommended measures necessary to ensure a more realistic indication of estimated prices in the indents—see paragraph 7.30. The Director General, Supplies and Disposals, is at present empowered to place orders at prices higher than the indent estimates within the following limits:—

- (a) Defence indents—66-2/3 per cent or Rs. 5 lakhs, whichever is less.
- (b) Indents from other indenting departments.—10 per cent or Rs. 10,000, whichever is less.
- (c) Indents from 'deposit' parties—Rs. 5 only.

In cases where the price proposed to be paid exceeds these limits, prior concurrence of the indentors is obtained before placing the order. Referring back to the indentors for their concurrence often takes considerable time, necessitating not only offers being kept open, but also resulting in delays in the placing of the contract.

9.18. We have examined specially the procedure obtaining in relation to Defence indents. It is seen that, notwithstanding the fact

that in the case of Defence indents the Directorate General (S & D) has discretion to go upto 66-2/3 per cent beyond the estimated price of the indenter, over 15 per cent of the indents have to be referred back to the Defence Ministry in view of the still higher prices quoted by the tenderers. In view of the peculiar and special nature of Defence stores, we consider that the present procedure may continue.

9.19. Regarding other indenting departments we consider that greater latitude than at present is necessary. Earlier in this Report, we have recommended that a price preference of 15 per cent (or more, where necessary) should be given to products of indigenous manufacture and 25 per cent (or more) for those of cottage and small-scale industries. In future, this should be an important factor to be taken into account by indenting departments in preparing the estimated value of their indents. Experience shows that, if the Purchase Organisation is permitted to purchase at prices 10 per cent (irrespective of the monetary limit) in excess of the estimated price, the number of references to the indentors would be considerably reduced. Taking all these into account, we recommend that the Directorate General (S & D) should have the discretion to purchase at prices higher by 15 per cent or Rs. 1 lakh of the value of the indent, whichever is less. This should apply normally to indents other than Defence indents.

9.20. As for 'Deposit parties', the discretion at present available, viz., Rs. 5 only, is hardly of any avail and may be withdrawn. The practice in regard to indents from such parties should be to intimate to them the extra amount required over and above their deposit to cover their demand, asking them simultaneously to deposit the same. The order should be placed only after the balance amount has been received.

(G) SMALL SHORTAGES AND EXCESSES IN SUPPLY

9.21. Suppliers sometimes deliver stores which are a little short or in excess of the quantities stipulated in the order. Such excesses or shortages in supply generally occur on account of the difference between total quantity ordered and the trade-pack, small rejections, manufacture of small additional quantities to cover possible rejections, etc. Under the present practice with the Directorate General of Supplies & Disposals, a contract—unless otherwise stated—is treated as 'completed' without reference to the indenter if the deliveries made are short or in excess upto five per cent of the total value of the contract, or Rs. 500, whichever is less. In such cases payments are made for quantities actually delivered without formal amendments to the orders. We understand that the indentors have experienced no inconvenience in the past under this arrangement. The margin of five per cent permitted under this practice is reasonable, but we consider that the monetary limit of Rs. 500 is not adequate. We recommend that this monetary limit should be raised to Rs. 2,000.

(H) SPEEDY COMMUNICATION OF PURCHASE ORDERS AND AMENDMENTS TO PAYING AUTHORITY

9.22. It has been represented to us that very often delays occur in communicating sanctions and contracts by the Directorate General of Supplies & Disposals to the Accounts Offices responsible for

payments resulting in delays in payment of suppliers' bills. While contracts, amendment letters and other documents involving payment are sent directly to the suppliers, copies intended for the Accounts Office are routed through specially appointed authentication officers of the Directorate General (S & D). Special sanctions for payments are routed through the Ministry of Finance. Likewise, these copies are first received by a specially nominated officer in the Accounts Office. We are informed that this procedure has been evolved to prevent possible fraudulent payments.

9.23. On examination of the system we find that the process of authentication does not usually take more than 24 hours to forward documents to the Accounts Offices. Delays, however, occur in the Supply Sections which in many cases have taken a week or ten days to furnish documents to the authentication officer, the reason being that they often wait to accumulate sizeable number of papers. We consider that there is no justification for such delays. Copies of documents intended for the Accounts Offices should be despatched immediately, in any case within 48 hours.

(I) CONTROL DATA

9.24. According to the present procedure each Supply Directorate in the Directorate General of Supplies & Disposals as well as in its regional offices, is required to maintain four types of 'Control' data for purposes of reference.

They are:

- (a) 'Trade Books' covering an up-to-date list of firms registered for a specific item along with indications of response received from registered firms against enquiries issued from time to time;
- (b) 'Performance Registers' listing contracts placed with each supplier indicating also the performance against individual orders;
- (c) 'Rate Cards' recording prices paid from time to time for the same or similar stores; and
- (d) 'Statistical Progress Cards' for watching progress in deliveries against each order.

While the Trade Books are kept by the Supply Sections individually, the other three Registers are maintained by small 'progress cells' attached to each Directorate. We have found that in most cases these registers were not kept up-to-date. A number of entries made were unintelligible and in some cases, misleading. Generally speaking, the forms employed are far too elaborate, in some respects over-lapping, and involve considerable amount of clerical work.

9.25. Trade Books.—Earlier in the Report, we have recommended that the Central Registration Section of the Directorate General of Supplies & Disposals, which in effect should be the 'Control' Section, should maintain an up-to-date register supplier-wise and store-wise—see paragraph 8.9. We feel that no useful purpose is served by maintaining separate Trade Books in each Supply Section for watching response to enquiries. Ability of suppliers to quote or the price trend of their quotations depends largely on the existing load; no

adverse inference need be drawn because of lack of response or high quotations against any particular enquiry. We recommend, therefore, that the practice of maintaining elaborate Trade Books in Supply Sections should be discontinued.

9.26. Performance Registers.—The Performance Registers, as maintained at present in Supply Directorates are of little value. There is no standard system of categorising the performance of suppliers against contracts. The forms are unduly elaborate and at the same time do not often give the necessary details; to be of use, they may be simplified by omitting details like the rates paid and the names of indenting departments. The practice of each Directorate maintaining separate performance registers does not afford a full picture of suppliers' ability. We recommend that performance registers in a simpler form should be maintained by the Central Registration Section on a standard system of assessment. For this purpose, alphabetical symbols might with advantage be used to indicate the quality of performance—e.g.:

'A'—Deliveries made in time.

'B'—Supplies delayed for reasons beyond suppliers' control.

'C'—Supplies delayed unreasonably.

'D'—Liquidated Damages imposed.

'X'—Stores supplied to specifications.

'Y'—Stores accepted under deviations.

'Z'—Heavy rejections in supplies offered.

A special column should be provided to record other unsatisfactory features, if any, in the performance of the order.

9.27. Rate Cards.—The form of Rate Cards used at present should also be revised, e.g., entries indicating the name of the indenter and delivery dates are redundant and may be omitted; the quantities ordered and significant features of specification should be indicated; indications of source of supply such as 'imported', 'indigenous', 'cottage and small-scale' products, etc., and the price preference given, if any, should also be available. For characteristics of a general nature, suitable symbols could be used with advantage. These cards might also indicate whether prices were 'firm' or 'variable'—if the latter, the 'final' prices also. Each Supply Section should keep Rate Cards; there should be exchange of information between Headquarters and Regional Offices.

9.28. Statistical Progress Cards.—The form in which Progress Cards are now maintained is also somewhat elaborate. A simpler form providing for necessary minimum particulars could be used. Provision should be made for recording chronological entries to indicate the nature and extent of delays in the post-contract stage (such as delays in issue of import licences, receipt of controlled raw materials, inspection, testing, transport, issue of amendments, etc.) as also the action taken to remove the bottlenecks. We consider that it should be the responsibility of the Progress Wing, recommended later in paragraph 10.29 to maintain these cards. The utility of an up-to-date 'Progress Card' in the matter of ensuring timely supplies cannot be over-emphasised; it should be maintained with care and kept under constant review until the goods are delivered.

(J) FINANCIAL ADVICE

9.29. Concurrent financial advice on the purchase and disposal activities of the Directorate General of Supplies & Disposals is provided by officers of the Finance Department headed by a Joint Secretary. He is assisted by one Deputy Secretary and three Under Secretaries at the Headquarters who are located alongside the Purchase Organisation, and one Under Secretary each at the Regional Purchase Offices at Calcutta and Bombay. The Finance Officer at Bombay advises on disposal deals and textile purchases, but not on other purchases made by the Director of Supplies & Disposals, Bombay. In view of our recommendation for enlarging the scope of the activities in the Regional Purchase Offices, it will be necessary to consider strengthening the team of Finance Officers; for example, Financial Advisers may have to be appointed at Madras and Kanpur—the latter on establishment of a Regional Purchase Office—and the one posted at Bombay might advise on all purchases made by the Regional Office, Bombay. With a view to avoid delays, it is necessary to have accredited 'Finance' physically located in the Regional Offices as is the case at the Headquarters.

9.30. It has been represented to us that one of the reasons for delays in supplies is the system of financial control exercised on the activities of the Directorate General (S & D) whereby purchase files are required to move to and fro between the purchase and finance officers, before final decisions are taken on financial issues. It has also been argued that, while the responsibility for procurement of stores by the due dates rests with the purchase officer, the finance officer is inclined to attach greater importance to considerations of economy and procedure. Delays in supplies or failures in contracts have, however, very wide repercussions on 'Works' and 'Service' organisations and a suggestion has been made that at appropriate levels purchase officers should be allowed to exercise their discretion to overrule financial advice, if necessary.

9.31. We have considered this question carefully and are convinced that, owing to the very large increase in the scale of Government purchase operations, a measure of financial control is necessary. We are recommending later in this Report delegation of more powers to purchase officers—see paragraph 14.21. This will reduce the number of cases required to be referred to Finance. It is, however, necessary to devise a system whereby finance officers could be associated with purchase officers more closely from the very start and are readily available for discussions and negotiations whenever required, so that decisions can be taken quickly without prolonged and controversial notings and counter-notings on the files. We recommend, therefore, that cases requiring financial concurrence should be circulated with tender documents, comparative statements and purchase proposals to the officers concerned so that final decisions can be taken, whenever a discussion becomes necessary, at periodical meetings convened for the purpose. Normally, such meetings should be convened within a week of the circulation of papers. Similarly in other cases a convention should be established to resort to frequent discussions between purchase and finance officers for arriving at quick settlements.

(K) AUDIT

9.32. It has been represented to us that the audit of purchase transactions in the Directorate General of Supplies and Disposals is not always carried out concurrently with the transactions. Where there is considerable delay in the receipt of audit criticism, it becomes difficult for the 'Administration' to meet belated objections partly because, by the time the objection is raised the officers concerned are frequently no longer in charge of those cases, and partly because the passage of time makes it difficult to remember all the circumstances surrounding a particular case. Far more time is, therefore, spent in answering belated objections than would have been required if the objections had been raised when the transaction was still fresh.

9.33. We have gone through this question carefully and find that, while in some cases there have been delays on the part of Audit in calling for papers, there have been many cases in the past where delays in audit were due to the delays on the part of 'Administration' in furnishing the files—see Appendix 28. Normally, cases for concurrent audit should be asked for within a period of three months from the date of transactions for which the audit is to be conducted. Such cases requisitioned by Audit should be made available to them within a week or ten days; delays beyond four weeks and eight weeks should be brought to the notice of the Director and the Deputy Director General respectively. As a rule it should be the endeavour of all the authorities concerned to ensure that audit objections, if any, are raised within a period of six months from the date of the event although in exceptional cases delays may be unavoidable. If cases are requisitioned by Audit within a few days of the transactions and if files are furnished promptly, it should be possible to conduct audit concurrently with the events so that the audit criticism could be conveyed to the 'Administration' in time for more effective action.

(L) FEES CHARGED BY THE CENTRAL PURCHASE ORGANISATION

9.34. At present, fees are charged for services rendered by the Central Purchase Organisation for procurement of stores according to the following scale:

(A) The Directorate General of Supplies and Disposals:

- | | |
|--|--|
| (1) Commercial Departments of the Central Govt. (excluding Railways), State Governments, Defence Services, Quasi Public Bodies | (a) 1% for purchase
(b) 1% for inspection |
|--|--|

(2) Railways:

- | | |
|---------------------|---|
| (i) For purchase | (a) 1% for the first Rs. 175 lakhs.
(b) 0.75% for the next Rs. 25 lakhs and
(c) 0.5% for the balance. |
| (ii) For inspection | 1% flat rate. |

(3) For foreign indentors:	
(i) For purchase	1 1/2 %
(ii) For inspection	1 1/2 %
(B) The India Store Department London:	
(i) For purchase	1 %
(ii) For inspection	1 %
(iii) For shipping	1 %, including 0.1 % for marine insurance.
(C) The India Supply Mission, Washington:	
(i) For purchase and shipping	1 %
(ii) For inspection	Actual

9.35. An analysis over two recent years of the actual recoveries on account of departmental charges shows that the receipts, actual plus notional, are substantially in excess of the cost of the establishment of the Directorate General (S & D) and the India Store Department, London—see Appendix 29. On the whole it would be correct to state that, if the scale of departmental charges were to be adjusted on a 'no-surplus-no-deficit' basis, they should show some reductions from the existing levels. The major indentors have also complained of the high fees charged by the Central Purchase Organisation and have said that they could have efficient purchase organisations of their own at much less cost. For considerations set out below, we recommend that the Central Purchase Organisation should be treated as a 'Service' department and should not levy any departmental charges.

9.36. Two of the departments which are charged fees, viz., the 'Railways' and 'Posts & Telegraphs' are charging the consumers of these utilities at tariffs which are so regulated as to enable these departments to make subventions to the General Revenues. This being the case, there does not appear to be any necessity for the purchase organisation to make a recovery of the fees prescribed. It may be presumed that the contribution of the Posts and Telegraphs Department to the General Revenues will be increased if a fee were not charged. Similarly, the surplus of Railways would go up and this fact may be taken into consideration in fixing their contribution to the General Revenues for the next quinquennium. Though the Defence indentors are also charged a fee, we consider that 'Defence' should not be treated as a commercial indenter. The abolition of fees may, to some extent, ease the Defence budgetary position.

9.37. Though it is recognised that the foregoing are in themselves not final arguments in support of the abolition of departmental charges, on the whole we are of the opinion that advantages are likely to accrue from the abolition of the system of fee-charging by the Central Purchase Organisation. Such fees should, however, continue to be charged from private parties and foreign Governments. Quite apart from the savings in the work relating to computation of the fees and the consequential accounting for their levy

and recovery, it seems to us that the abolition of the fees will act as a very strong incentive to State Governments, Autonomous Corporations financed by Government, multi-purpose River Valley Projects, Quasi Public Bodies and the like, to make greater use of the Central Purchase Organisation than hitherto. We, however, recognise that the Government of India should not accept any liability for transit (insurance) in respect of stores purchased on behalf of the indentors other than the Central Government departments. In comparison with the Central assistance given to the States on various counts, the abolition of the 'purchase' and 'inspection' fees on the stores ordered through the Central Purchase Organisation by the States can only mean an insignificant increase in the assistance. The consequential benefits to development of indigenous industries accruing from such concentration of purchases of all Governmental and semi-Governmental requirements in one body can easily be visualised in the context of the main theme, *viz.*, accelerated development of Indian production to meet all public needs. It is realised that the expenditure on the administration of the Central Purchase Organisation will increase with no countervailing income as hitherto. But we would like to reiterate that it is worth while incurring an additional expenditure in view of the benefits to Indian production that are likely to flow as a result of the abolition of the fees. An important 'Service' agency, *viz.*, the Development Wing of the Ministry of Commerce and Industry, does not charge a fee for the assistance it renders. We have recommended earlier that the Purchase Organisation and the Development Wing should be integrated to serve the common purpose of development of Indian industry; it would be quite logical that, as in the case of the Development Wing, the purchase organisation should also be treated as a 'Service' organisation and not charge any fee.

9.38. Inspection fee charged to private parties.—It is open to the Directorate General of Supplies and Disposals to undertake inspection of stores in India ordered directly by private parties with a charge of one per cent. In our foreign Purchase Missions, however, there is no such provision. It is our view—non-official evidence before us has also stressed the same—that the India Store Department, London, should assist the private sector of industry and business to the fullest extent possible in the matter of inspection of stores. We estimate that the additional expenditure they may have to incur for this service would be inconsiderable even if a larger volume of business is required to be handled by them. In our opinion, the correct principle for levying any such charge should be the relationship between such additional expenditure and the volume of day-to-day work handled by these organisations. On this basis we recommend that, for the inspection of stores—whether by the Directorate General (S & D) or the India Store Department, London—ordered by private parties, the charge should be one per cent.

9.39. The India Supply Mission Washington has at present no inspection arrangements of its own. If and when it opens a departmental inspection agency, we feel that the proposed facilities to private parties should be extended to the U.S.A. and till then, the

India Supply Mission, Washington, should assist the industrial and business community in India in finding commercial inspection agencies for this purpose.

(M) 'WRITE-OFF' OF LOSSES

9.40. During the course of our enquiry a suggestion was made to us that the losses arising out of purchase transactions should be borne by the Directorate General of Supplies and Disposals itself and the debits on this account should not be raised against the indentors concerned. Under the present rules, the authority to 'write off' such losses vests in the Director General (S & D) where the amount involved is less than Rs. 1,000 in an individual case; beyond this limit sanctions are issued by the Ministry of Works, Housing and Supply. On receipt of copies of sanctions, the indentor concerned issues a further 'write-off' sanction to regularise his stores accounts.

9.41. We have considered this question carefully. In our opinion, there is no need for the Central Purchase Organisation to have a special budget provision for adjusting losses arising out of purchase transactions; the debits on this account, being incidental to purchase deals, should continue to be raised against the indentors concerned as in the case of payment of bills for normal supply of stores. But, the responsibility for issue of the necessary financial sanction for 'write-off' should more appropriately rest with the indenting departments. We consider it necessary that indenting departments, before they proceed to sanction a 'write-off', should have full satisfaction in regard to the deal resulting in losses which may reveal lapses on the part of the supplier, or the purchaser, or the indentor, or his consignee. The question of 'write-off' arises after payments have been made to the parties concerned and the time taken for inter-departmental consultations should not delay payments to suppliers. The Central Purchase Organisation should, however, continue to authorise payments where subsequently indenting departments may have to issue sanctions for 'write-off' as in the case of loss of stores in transit, or compensation for breach of contract where stores ordered are not required.

(N) MANUALS OF INSTRUCTIONS

9.42. The Indian Stores Department had a 'Manual of Office Procedure' dealing with general matters of 'Administration' as well as of the 'Purchase' and 'Inspection' procedure. This Manual was of considerable assistance to purchase and inspection officers and was reviewed periodically. As a result of changes in the procedure introduced during the last War and subsequent developments in the post-war period, this publication has now become obsolete. In fact, copies of this book are not available now. At present, there is no book or publication in the Central Purchase Organisation which would serve as a 'guide' to the officers and staff for adopting proper methods and procedure in their day-to-day work. Since the beginning of the last War, several instructions in these matters have

been given to the purchase and inspection personnel through 'Office Orders', 'Routine Notes', 'Office Memoranda', etc. These instructions, however, cannot be traced readily for reference.

9.43. The necessity of up-to-date 'Manuals' for 'Purchase', 'Inspection' and 'Disposal' of stores cannot be over-stressed. All existing orders and instructions should be codified without delay and brought out in the shape of 'Manuals of Instructions', properly arranged and indexed. These should be kept up-to-date by suitably numbering the 'correction slips' issued from time to time as in the case of other Government codes. We also recommend that a special officer should be entrusted with the task of preparing these 'Manuals'.

(O) STORES PURCHASE RULES

9.44. A set of Rules called the 'Stores Purchase Rules' was issued by the Government of India in January 1931, containing detailed instructions in regard to the procedure for the purchase and supply of articles required for the public service. In the light of changes which have taken place since then, these Rules have become somewhat out-of-date. We have in this Report suggested several changes in the existing policy and procedure, some of them of a substantial nature. It will, therefore, be necessary to revise the existing 'Stores Purchase Rules' as early as possible, after a decision is taken on the recommendations made in this Report. For example, modifications will be necessary; (a) to indicate non-admissibility of 'late' and 'delayed' tenders; (b) to signify preference to registered firms; (c) to authorise equal treatment to tenders from industries in the private and the public sector; (d) to direct adoption of uniform Terms of Payment and Conditions of Contract; (e) to ensure payment within specified time; (f) to accord first priority to the purchase of products of cottage and small-scale industries; (g) to denote admissible degrees of price preference and relaxation in specifications for indigenous products; (h) to prefer placement of contracts on India-based establishments; (i) to extend assistance to Indian Shipping Agencies; etc.

CHAPTER X

DELAYS IN SUPPLIES

10.1. The primary function of the Central Purchase Organisation is to ensure timely supplies of stores of requisite quality at the most economical prices to the various Government users. The universal complaint of indenting departments against the Directorate General of Supplies and Disposals is that supplies are unduly delayed thereby holding up the completion of important projects and often affecting adversely their day-to-day business. On an examination of the statistical data, we find that by and large, these complaints are justified. In several cases, not only are supplies not received according to the indentors' time-schedule (even if account is taken of some un-realistic demands made by the indentors at times), but deliveries in most cases do not materialise even in accordance with the schedule stipulated in the various contracts placed by the Purchase Organisation. The indentors have, therefore, to contend constantly with the problem of 'uncertain supplies'. We consider that the disadvantages arising from the slowing down of Government business due to non-receipt of essential supplies may well overshadow any advantage accruing through the system of central purchase. The alternative of Government departments keeping adequate stocks of stores to overcome all possible delays or interruptions in supplies has certain obvious limitations as it involves immobilisation of substantial resources both in money and material badly needed for the implementation of National Plans; it also raises the problem of holding large quantities with attendant losses due to deterioration and obsolescence. We recommend, therefore, that the system of central purchase should be so devised and worked as to ensure a programme of uninterrupted supplies for maintaining the stocks at the minimum level consistent with economy and efficiency; any extra expenditure involved in strengthening the Central Purchase Organisation to fulfil this aim would be amply justified.

10.2. Broadly, the delays in supplies fall under two categories: (i) delays during the pre-contract period, i.e., from the time of receipt of an indent to the placing of the order, and (ii) delays during the post-contract period, i.e., from the time an order is placed till the delivery of stores. In this chapter, we analyse the various causes of delays in supplies and suggest certain remedial measures.

(A) DELAYS IN PRE-CONTRACT STAGE

10.3. On an average, the Directorate General of Supplies and Disposals deals with about one lakh indent items per annum. It will be seen from Appendix 30 that at the close of the financial year during the last five years it had a large number of indent items awaiting coverage through contracts, viz.,

31st March, 1950—39,443 indent items.

31st March, 1951—34,880 indent items.

31st March, 1952—30,631 indent items.

31st March, 1953—19,811 indent items.

31st March, 1954—30,248 indent items.

From an analysis of contracts placed during June 1954, it is observed that although about 56 per cent of the contracts were placed within six months, over 17 per cent were placed after nine months reckoned from the date of indents—see Appendix 31. In the Railway and Engineering Stores Directorates at the Headquarters and in the regional office at Bombay, nearly a third of the orders were placed between six and nine months. The contracts placed after nine months were 31 per cent in the Miscellaneous Stores Directorate, 30 per cent in the Engineering Stores Directorate and 18 per cent in the regional offices at Madras and Bombay (Textiles Branch). The main reasons contributing to delays in placing of orders are stated to be:—

- (1) Delays in despatch of indents by the indentors;
- (2) Time taken by the Inspection Wing for scrutiny of indents;
- (3) Belated issue of enquiries;
- (4) Delays in deciding tenders; and
- (5) The time taken in placing orders after tender decisions.

Besides the general statistics furnished by the Directorate General (S & D), we have examined in detail 56 cases in respect of contracts placed in June 1954 where inordinate delays had occurred in placing orders. We consider that the best method to avoid such delays would be to fix a time-schedule for ensuring prompt action at each stage.

10.4. Delays receipt of indents.—In assessing the time taken by the Directorate General of Supplies and Disposals, the date on the indent should be normally regarded as the starting point though generally indents are received a week after. Out of the 56 cases which we have examined, we have found that in 12 cases indents were received after three weeks—in 2 cases the indents were transmitted eight months after the indent date and in one case after one year. Such cases create an erroneous impression and it should be the indentors' duty to ensure that the indent date accords with facts.

10.5. Scrutiny in the Inspection Wing.—Indents received in the Directorate General of Supplies and Disposals are registered and acknowledged by the 'Central Indent Section' and then forwarded to the Inspection Wing for technical scrutiny of indent particulars. Out of 34 cases we examined, only 23 indents were referred to the Inspection Wing within two days of receipt of same. In our opinion, not more than two days should be allowed for this routine work.

10.6. We have already discussed at length the subject of incomplete indents and have recommended that, where further clarification from indentors is deemed necessary, the purchase organisation should not take more than one week to make necessary references

and the indenting departments should furnish the information within two weeks at the latest—see paragraph 7.22. Out of 34 indents where placement of contracts was delayed beyond nine months, we find that the Inspection Wing had completed the scrutiny within a week in 23 cases but had taken two weeks in three cases and three to (an extreme case of) twenty weeks in the remaining eight cases. In most cases of the latter category, references were made to the indentors. In our opinion, a target of one week should be prescribed for scrutiny of indents in the Inspection Wing where back references to the indentors are not required; where, however, consultations with the indenting departments are unavoidable, it should be made clear while raising queries with the indentors that in the absence of any reply within a fortnight the indent would be returned.

10.7. After scrutiny in the Inspection Wing, indents are transferred to the Supply Sections concerned through the Central Indent Section. While in most cases this process takes one or two days, a few cases have been brought to our notice where it has taken as much as two weeks. There is no reason why the Central Indent Section should take more than a day for transmission of such indents to the Supply Section concerned.

10.8. **Delays in issue of enquiries.**—The analysis of 10,625 indent items (valued at approximately Rs. 864 lakhs) received in the Directorate General of Supplies and Disposals during the months of March, August and November 1952, for which enquiries were issued to trade, shows that while in 73 per cent cases (71 per cent by value) enquiries were issued within one month of the receipt of indents, in over 11 per cent cases (13 per cent by value) issue of enquiries was delayed beyond three months—see Appendix 32. In the case of 48 contracts concluded during June 1954, where placing of contracts was delayed beyond nine months from the indent dates, we find that in 11 cases the time taken for issue of enquiries was less than two weeks; for the balance 37 cases, issue of enquiries was unduly delayed—16 by three to five weeks, 7 by six to nine weeks, 9 by ten to twenty-six weeks and 5 by twenty-six to forty weeks.

10.9. It is stated that the main reasons which contribute to delay in the issue of enquiries even after the receipt of indents complete in all technical respects are:

- (i) Drafting of notes embodying conditions of tender required to be attached to individual enquiries;
- (ii) Inadequacy of the number of copies or drawings and specifications furnished with the indents; and
- (iii) Deferring of purchase action on 'forward programme' indents.

10.10. We find that most of the special notes attached to individual enquiries are common for a large variety of stores and in our opinion, these forms could easily be standardised into two or three types, leaving only the minimum number of entries to be filled in. Printed

forms could be utilised with advantage in most of these cases and with the assistance of a small printing machine, the clerical work and the time taken at present could be reduced considerably.

10.11. The indenting departments send only a specified number of copies of drawings and specifications. We cannot help expressing surprise that an organisation like the Directorate General (S&D), which has been making large purchases over three decades, should not have been equipped with a photostat machine for this purpose which would have eliminated wholly delays on this account.

10.12. Defence demands are usually preferred 18 months in advance, in order to allow sufficient time to the Central Purchase Organisation to procure goods in time. We understand that the practice with the Directorate General (S&D) is to defer purchase action till a reasonable period before the time is due for delivery, with a view to take advantage of a possible downward trend in prices during the intervening period. This has in practice resulted in the indenter being denied timely supplies even where the Directorate General (S&D) is given ample notice. The possibility of a downward or an upward trend in prices is mostly a guess; we are, therefore, not convinced that in such cases postponement of action is justified. The period available should be utilised in allowing extra time to the trade to submit their quotations and also for better planning for production by the successful tenderer.

10.13. Once an indent has been checked for technical particulars, we see no justification for a tender enquiry not issuing within a week; cases where the time-lag exceeds a fortnight should be investigated by the Director concerned.

10.14. **Consideration of tenders.**—We have already recommended that a period of four to six weeks depending upon the nature of stores should be allowed for tenderers to make their offers. At present, after opening of tenders the preparation of 'comparative statements' of the offers received takes a week or two; a few cases have been brought to our notice where this time-lag has exceeded four weeks! In our opinion, depending on the nature of the store a period of three to seven days from the date of opening of tenders should be prescribed for this purpose.

10.15. From the analysis of tender considerations against indents received during the months of March, August and November 1952 in the Directorate General (S&D), we find that while in 37 per cent cases (39 per cent by value) decisions were taken within four weeks of the receipt of tenders, in over 30 per cent cases (26 per cent by value) final decisions were delayed beyond sixteen weeks—see Appendix 33. The examination of 73 contracts issued during the month of June 1954, where placement of orders was delayed beyond nine months from the receipt of indents, reveals that after the preparation of comparative statements the purchase organisation took two to six weeks in 30 cases, seven to twelve weeks in 19 cases, thirteen to twentyseven weeks in 16 cases, twentyeight to fiftythree weeks in 6 cases and sixtythree and eightyfive weeks respectively for the balance 2 cases.

10.16 Considering that the tenderers are required to keep their offers open for a period of 30 to 60 days, the delay in taking decisions on tenders not only delays supplies but seriously inconveniences the tenderers as is evident from the complaints received from the commercial community. It is stated that the main reasons standing in the way of quick decisions are:

- (i) Time taken in consulting indenting departments where such consultation are deemed necessary;
- (ii) Changes in specifications intimated after opening of tenders;
- (iii) Time required to ascertain manufacturing capacity, reliability and financial standing of unregistered firms who may have quoted favourable prices;
- (iv) Delays in approval of samples;
- (v) Time taken by the tenderers for clarification of technical particulars as also for finalisation of terms and conditions of contract involving deviations from the standard conditions; and
- (vi) Observance of the purchase procedure and rules involving approval by various authorities.

The question of referring tenders to indenting departments has been discussed earlier in this Report and we have recommended that, wherever such consultations are necessary, timely meetings should be convened with the representatives of the indenting departments to reduce delays in tender considerations—see paragraph 9.16. We have also considered the issue of changes in specifications—see paragraph 7.26. As regards (iii), we are of the view that the checking of capacities, etc., of the unregistered firms should not take more than a week or ten days. In regard to (iv), the tenderers should be advised that in their own interests they should get well in advance certificates from the Test House or the Inspecting Authority as to the quality of their products wherever reports on samples are required to consider suitability of their offers. Regarding (v), the occasions for post-tender discussions should be rare; the tenderers in their own interest should ensure full technical particulars being given in their offers and should refrain from stipulating any departures from the standard terms and conditions of contract. We need hardly stress that where such discussions become necessary, the business community can assist the Purchase Organisation a great deal by extending full co-operation. In regard to the last item, we have recommended enhancement in the powers of purchase officers and have also recommended that ordinarily purchase proposals should be dealt with by not more than two officers. Taking all these factors into account, we consider that for stores of 'common user' type a period of three weeks after opening of tenders should be enough for consideration of tenders; for stores involving a detailed check on specifications, etc., a period of six weeks should be adequate. All

cases in which tenders are not decided within eight weeks after the date of opening of tenders should be reported to the Director General.

10.17. Delays in placing orders.—After decisions are taken on tenders, considerable time is lost in informing the successful tenderer about the acceptability of his offer; out of 56 cases we have examined, we find that in 7 cases it took 7 to 19 days after the tender decisions for communicating acceptance of offer to the successful tenderer; in one case it had taken more than a month. Further, we find that placing of formal contracts embodying full details of the terms and conditions also takes considerable time. The analysis of 623 contracts placed during the month of June 1954 reveals that only 22 formal orders were placed within a week from the issue of the advance acceptance and as many as 338 were not issued for over a month—see Appendix 34. Cases have also been brought to our notice where formal contracts were placed after the expiry of the delivery period. Once the tenders are decided, the acceptance of offer should be communicated within 48 hours; formal contracts embodying full details should be issued within a week. Cases involving delays on this account should be reported to the Deputy Director General (Progress).

10.18. In the light of the above analysis, we recommend that, after the receipt of an indent (incomplete indents should be listed separately), a period of 90 days should be prescribed as the target for placing orders in the case of stores of common type and standard designs and a period of 150 days for complicated engineering items such as those involving manufacture to specific design. In suggesting these periods, we have taken into account the time required by the Trade for preparation of tenders. It is not possible to prescribe a general time-schedule for indents against emergent or operational demands; even a day's delay in certain cases may have serious repercussions at the indenter's end. Such indents should be dealt with personally by senior purchase officers, not below the rank of a Director. We consider that the consequential strengthening of the organisation with a view to achieve the targets recommended at various stages for consideration of indents and tenders would be amply compensated by timely supplies and subsequent speeding-up of work at the indenter's end.

(B) DELAYS IN POST-CONTRACT STAGE

10.19. It will be seen from Appendix 35 that in a large majority of contracts—74% by number and 84% by value—placed by the Directorate General of Supplies and Disposals, supplies are delayed beyond the delivery dates stipulated in the orders. Extension of delivery dates has become more a rule than an exception. One of the major causes in our view is that suppliers often agree to unrealistic delivery time in the hope of getting contracts; having secured the order, they find it impossible to adhere to the promised schedule. Unrealistic delivery schedules throw indentors' programmes out of gear and create unnecessary work for the purchase organisation. It is, therefore, of utmost importance that this aspect should be impressed upon the tenderers; the purchase organisation should take a

serious view of such delays. Apart from unrealistic deliveries quoted by suppliers, there are several ways in which the purchase organisation itself can assist the trading community in removing their genuine difficulties for ensuring timely supplies, e.g., assistance in getting import licences, adequate arrangements for quick inspection of stores, timely supply of controlled raw materials, prompt issue of post-contract amendments to contracts, etc. Earlier in this Report, we have recommended that the purchase organisation should establish close liaison with the Office of the Chief Controller of Imports and Exports for ensuring no delays in the issue of import licences—see paragraph 8.37. In the Chapter on 'Inspection of Stores', we have discussed the question of delays in inspection, including the time taken for testing of samples in laboratories—see paragraphs 12.12 to 12.15.

10.20. Supply of controlled raw materials.—During the course of our examination, several cases particularly in respect of engineering stores have been brought to our notice where supplies had been delayed for a considerable time due to the non-availability of controlled raw materials such as iron and steel. We understand that in a large number of fabrication contracts involving the use of controlled categories of iron and steel, the purchaser arranges the issue of quota certificates; but the actual acquisition of these materials is left to the supplier concerned. In our opinion, it should be the primary responsibility of the purchase organisation to ensure timely supply of controlled raw materials. For proper discharge of this function, the Progress Wing recommended later in this chapter should be called upon to progress all such contracts more effectively to avoid possible hold-up in the fabrication of stores for want of controlled raw materials. If necessary, a special liaison officer may be appointed with the Iron and Steel Controller for expediting supply of iron and steel against fabrication contracts.

10.21. If it becomes evident that the indigenous production of iron and steel is not likely to meet the demand in time, arrangements should be promptly made to import the necessary quantities either through the controlling authority or the supplier direct. In such cases, the additional cost of the store due to higher prices of imported raw materials may have to be borne by the indenter, who will have to decide whether he is willing to put up with the delay involved or would accept the higher cost. In some cases, the indenter may well decide that it would be cheaper in the long run for him to agree to the raw materials being imported rather than be compelled, because of the delay, to buy the entire store from a foreign source at a very much higher price. An attitude of 'drift' in regard to delay in supply on the score of raw materials must be deprecated.

10.22. Post-contract correspondence.—To ensure adequate and expeditious attention to post-contract correspondence, it is considered that close personal liaison should be established between the branch officer (Assistant Director, or Deputy Director, as the case may be) and the dealing assistant. The best way of ensuring this would be to make the branch officer responsible to hand over personally the inward correspondence to the dealing assistant concerned, who should study the relevant files and report back personally to

the branch officer the line of action which he proposes. This should be done at the latest on the following working day. The branch officer should direct the assistant concerned as to how the correspondence should be disposed of; the formal disposal on file should reach the branch officer through the Section Superintendent within a period of 48 hours. As the dealing assistants are also expected to deal with issue of enquiries, preparation of comparative statements for tenders received, etc., the branch officer will be in a position to know exactly the time disposition of his assistants and can, therefore, allocate the work with greater precision. If this system reveals that additional strength at branch officer's or assistant's level is necessary, fresh examination for assessment of strength of personnel should be carried out for sanctioning adequate staff. What is necessary is that the dealing assistants should not be left to themselves to put up receipts with a view to ensure expeditious disposal.

10.23. Contractual amendments.—Perhaps the greatest single factor responsible for delays in supplies after placing of orders is the time taken by the purchase organisation in the issue of contractual amendments for extension of delivery period, acceptance of deviations, finalisation of prices, etc. We understand that the largest number of the post-contract amendments are for extension of delivery period. Out of 821 such amendments issued by the Directorate General of Supplies and Disposals during the month of September, 1953, only 34 per cent. were issued within a fortnight from the receipt of requests from the suppliers and 15 per cent. took more than two months—see Appendix 36. It is necessary that a high priority should be accorded to this type of post-contract correspondence. A target of 15 days should be ample for consideration of such requests. All cases which are not decided within one month of the receipt of requests from the suppliers should be reported to the Director concerned to ensure prompt disposal.

(C) PROGRESSING OF SUPPLIES

10.24. After a careful examination of various factors tending to delays in supplies, we have come to the conclusion that, till an effective machinery is set up to pursue constantly the day-to-day progress of indents from the time of receipt right up to the time of delivery of stores at the consignee's end, no substantial improvement in the supply position can be expected. We find that at present the emphasis is only on placing of contracts; the tendency is for purchase officers to consider their work completed as soon as a contract is placed. The existence of a contract without the materialisation of supplies is small consolation to an indenter. The issue of a contract is only the first stage in the fulfilment of the responsibilities of the purchase organisation; the second stage being, of course, the actual delivery of stores to the consignee by the supplier. The responsibility of the Central Purchase Organisation can be regarded as fully discharged only when the indenter receives goods of suitable quality within the delivery period promised to him.

10.25. Pre-contract progressing.—As stated earlier, there have been appreciable delays in the Directorate General of Supplies and Disposals in finalising technical particulars in

indents, in checking indents with the Disposals organisation, in ascertaining availability of surpluses, in issue of enquiries to the trade, in examining tenders, and also, in placing formal orders. Under the present procedure, the progressing of indents up to the stage of concluding contracts is watched by the respective Supply Sections and fortnightly statements are submitted to the Deputy Director General and the Director General, showing the number of outstanding indents against which contracts have still to be placed. While we appreciate that there has been some little improvement in the rate of placing contracts over the past four years, as may be seen from Appendix 30, the position must still be regarded as far from satisfactory. On the 31st of March 1953, nearly 22 per cent. of the outstanding indent items were between 3 and 6 months old and about 6 per cent. were pending for more than 6 months. We feel that, with greater vigilance, the position can be improved substantially; senior purchase officers should take due note of long-pending cases. For example, regular inflow of indents into the purchase organisation according to an agreed programme is necessary to avoid congestion of work in the organisation; again, a reference to an indenter may not elicit a prompt reply. In such cases, the matter should be taken up at an appropriately high level. In their own organisation also, senior purchase officers should keep themselves closely informed of all the details of indents pending over a period of say 6 months, with a view to devote individual attention to expeditious finalisation. In every case where an indent is not covered for 4 months, the Director concerned should record briefly the reasons for the delay in coverage and action taken to overcome such difficulties. At the time of appraisal of a purchase officer's merits, one of the important considerations determining efficiency should be expedition in dealing with indents.

10.26. Post-contract follow-up.—Delays occur at several points in the course of deliveries—e.g., receipt of raw materials, issue of import licences, fabrication of stores, testing of samples, inspection of stores, issue of post-contract amendments, despatch of stores, etc. Under the present procedure, progressing of deliveries is entrusted in each Directorate to a "progress cell" consisting of two or three clerks. When an Inspection Note (issued by an Inspector of the Inspection Wing of the Central Purchase Organisation) is not received within two weeks prior to the expiry of the delivery period specified in the contract, this cell issues what is known as a 'tickler' (i.e., a reminder) to the Supply Section. The issue of this 'tickler' at such a stage does not serve any purpose and we have verified that, in practice, little or no action is taken by Supply Sections on these ticklers. It is also too late for a purchase officer to take effective steps at that stage to ensure completion of deliveries within the promised period. From the analysis of the contracts placed by the Directorate General of Supplies and Disposals in the months of March, September and November, 1952, we find that in about 75 per cent. cases deliveries did not materialise within the periods originally stipulated in the contracts; supplies were delayed between two and six months in 17 per cent. cases and over six months in 18 per cent. cases.

10.27. In addition to the 'progress cells', the Inspection Wing sends what are called 'Pre-inspection Delay Reports' in respect of

contracts exceeding Rs. 50,000/- in value, or other cases that may be specified by the purchase officers. These reports are usually sent a month or so prior to the expiry of the delivery period; this again is too late. To effect improvement in these matters, we consider that the Inspection Wing should submit periodical reports in regard to all contracts and not merely in respect of those where they are specially instructed to do so. These reports should commence within a reasonable period after the placing of the order. This would actually mean some strengthening of the Inspection Organisation at lower levels so that contracts with suppliers' works could be established to ascertain the causes of delays on their part, and such increased staff as may be necessary should be sanctioned.

10.28. Progress Wing.—We consider that the present system of progressing of supplies from the stage of receipt of an indent to the delivery of stores is ineffective. It places the responsibility for watching the progress in these matters on the supply officers who are responsible for placing contracts. The result is that delays rarely come to the notice of higher authorities in time or do not receive adequate attention. Appendix 31 shows the delays in placing contracts. In regard to deliveries, these do not materialise in time in over 75 per cent. of the contracts, and extension of the delivery period is being granted in all these cases as a matter of routine. In our opinion, any half-hearted attempts to improve the existing procedure will have no effect. Obviously, besides a re-orientation of outlook on the part of the purchase officers, what is needed is a machinery directly functioning under the Director General (independent of the purchase office) solely responsible for supervising the progress in regard to placing of contracts and delivery of stores and vested with sufficient authority to take up delays and bottlenecks at the highest level in the purchase organisation. Any extra expenditure incurred on this account would be well spent and would further be a small proportion of the present expenditure on the Central Purchase Organisation.

10.29. We recommend accordingly the establishment of a distinct "Progress Wing" in the Directorate General of Supplies and Disposals under a Deputy Director General (Progress) who should be drawn from one of the major indenting departments. We have advisedly recommended an officer of this status as we feel that he should command sufficient influence with officers of all grades in the Supply and Inspection Wings. His services could with advantage be also utilised for periodical inspection of the work done by the junior purchase and inspection personnel for ensuring no hold-up in supplies. A great deal will depend on the selection of a suitable person for this responsible post. He should have executive ability of a high order and drive to get the work done; he should be a "live-wire". The Deputy Director General (Progress) should be assisted by an adequate complement of suitable officers and staff at the Headquarters and the regional purchase offices. By the very nature of the responsibility, the work in the Progress Wing will be more of the 'executive' than the 'desk' type. The Progress Wing should maintain close and constant contacts, not merely with the Supply and Inspection Wings of the Directorate General (S & D) but also

with indentors and suppliers. It will be responsible for ensuring that there are no avoidable hold-ups at any of the various stages, viz., pre-contract, allotment of raw materials, production, import licences, inspection, amendments to contracts and the movement of goods. Later in this Report we are recommending that copies of serious complaints from indentors and suppliers should be endorsed by them to the Deputy Director General (Progress) for his personal attention—see paragraph 14.33. The Progress Wing should devise a system of obtaining suitable returns from the Supply Sections on the action taken by them on indents up to the stage of placing contracts and should be able to enquire into the causes of delay in placing orders and suggest possible means of resolving them. It should also obtain copies of contracts, Supply Orders and Inspectors' Reports, and where necessary also the purchase files, to locate bottlenecks and to see that they are removed. It is not intended that there should be any formal 'noting' between the Progress and other Wings of the Central Purchase Organisation; on the other hand, personal contacts alone will enable the Progress Wing to fulfil its task. An efficient Progress Wing, as we see it, is an integral part of the Central Purchase Organisation and even though it may at times have to probe into cases of chronic delays (whether on the part of the indenter, or the supplier, or other Wings of the same organisation), we do not anticipate any serious difficulties in its working. The creation of the Progress Wing should not in any manner detract the responsibility of the Supply and Inspection Wings for securing the timely fulfilment of indents.



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CHAPTER XI

PAYMENT TERMS AND OTHER CONDITIONS OF CONTRACT.

11.1. We have considered the general aspects of purchase policy and procedure in Chapters VIII and IX. In accordance with our terms of reference, we now proceed to deal with 'Payment of Bills' and 'General Conditions of Contract'. Serious complaints have been made to us about the unrealistic and inequitable nature of conditions of Government contracts, as also about the inordinate delays in payments, particularly in regard to the final bills. From the evidence before us, we find that some of these complaints are justified and these are bound to affect the prices quoted to the disadvantage of the purchaser. In our opinion, some of the general conditions of contract and payment terms incorporated in the priced publication, 'Conditions of Contract governing Department of Supply Contracts', require to be modified.

(A) UNIFORM TERMS OF PAYMENT AND CONDITIONS OF CONTRACT

11.2. The suggestion has been made to us that the general conditions of contract including terms of payment should apply uniformly to all Government purchases—whether by the Central Purchase Organisation, indenting departments, State Governments, industrial and river valley projects or corporate bodies. We understand that various Government purchasers adopt differing conditions of contract, e.g., some make advance payments though others in similar circumstances do not. Such disparities create unhealthy competition amongst purchasers which are likely to be taken advantage of by sellers. We recommend that Payment Terms and other General Conditions of Contract discussed in this chapter should be adopted by all Government purchasers. As these conditions have been evolved after consulting all interests concerned, we consider that they should be generally acceptable to the Trade and Industry. We have already recommended that all the Government purchasing agencies should follow a common list of registered suppliers and that the acceptance of standard conditions of contract should be a condition precedent to registration of a supplier—see paragraphs 8.4 and 8.7. Cases of major deviations, therefore, should be few indeed. Where, however, such deviations are inescapable, the department concerned should, soon after contracts are placed, intimate the details to the Purchase and Development Board.

(B) PAYMENT AUTHORITY

11.3. The present centralised system of payments against 'Supply' contracts affords unified control on accounts; makes checks on authenticity of purchase documents easier; facilitates recovery of amounts due to Government; ensures effective liaison with the purchaser; and also avoids possibility of delays in payment which might occur through multiplicity of payment authorities. By and large,

suppliers also prefer to deal with one authority for payment of their bills. On the other hand, the indenting departments have brought to our notice certain administrative advantages which might follow if the system of payments is decentralised, i.e., if the Accounts Office of the indenting department concerned is made responsible for payments. In their opinion, a decentralised system would render easy the linking up of payments with physical receipt of stores; afford more effective control over expenditure in relation to budget; facilitate greater accuracy in budget provisioning for the next financial year; and avoid possibility of lapsing of funds due to delays in adjustment of accounts between the Central Payment Authority and the Indenting Departments.

11.4. We understand that proposals are under consideration of Government to transfer the present Central Payment Authority to the control of the administrative Ministries concerned and later, as soon as administrative arrangements can be finalised, it is intended that the payment of suppliers' bills should be decentralised. Under this system, the Accounts Officers of the indenting departments will be responsible for making payments to suppliers. While the new system will undoubtedly lead to certain administrative advantages and possibly to economy, it will be considered disadvantageous from the point of view of the supplier who will have to collect his dues from a number of Payment Authorities spread all over the country. From the point of view of the Central Purchase Organisation also, it may be advantageous to deal with one Payment Authority. Whether the disadvantages to the supplier should be ignored in consideration of the administrative advantages and the payment authority decentralised, is a matter for Government to decide. Should the centralised system of payments be retained, we suggest that with a view to keep the indenter and the purchaser posted with the payments made to the supplier, the 'Bill Forms' should be extended to have two 'tear-off' slips. In regard to payments for supplies against Rate/Running Contracts where Supply Orders are placed directly by indenting departments, we feel that the Accounts Office of the indenter concerned should be authorised to make payments. The Direct Demanding Officers are spread all over the country and it is difficult for the Central Payment Authority to verify the *bona fides* of a large number of Supply Orders placed by individual indentors. Such a change will obviate the possibility of fraudulent payments.

(C) DELAYS IN PAYMENT

11.5. Several complaints have been made to us about the inordinate delays in payment to suppliers. Cases have been brought to our notice where the suppliers were not in a position to submit their bills on account of delays in test and inspection, delays in receipt of 'Receipt Certificates', delays in issue of amendments to contracts for extending delivery period as also cases where payments had been delayed for want of proper documentations in support of the bills, etc. The question of delays in inspection is discussed elsewhere in this Report—see paragraph 12.12. Here we propose to deal with the other important causes for delays in payments which have been mentioned to us.

11.6 Delays in issue of Receipt Certificates.—Under the present system, when stores are despatched by rail to a consignee, the supplier normally gets paid 90 per cent. of the cost of stores on production of Inspection Note and proof of despatch, and the balance 10 per cent. only after the consignee has certified that the stores have been received by him in good condition. Prolonged delays are experienced in the payment of the final 10 per cent. bills. Ordinarily it should not take more than a month from the date of receipt of stores for the consignee to furnish his receipt to the supplier. The receipt, however, is often not furnished for months because the consignee apparently loses interest in the matter after he has received the stores. In our opinion, there is no reason why the supplier should suffer on account of the indifference, or inability, on the part of the consignee in this matter. We recommend, therefore, that the payment of the final ten per cent. bills should be made within 90 days of the date of despatch of stores. For this purpose, a suitable clause should be incorporated in the General Terms and Conditions of Contract under which a supplier might require the purchase officer to authorise such payment on production of an Indemnity Bond, if he does not receive a receipt certificate, or an adverse report on supplies, from the consignee within 60 days from the date of despatch of stores. The purchase officer on receipt of such representation should immediately write to the consignee, under advice to his supervisory officer, to expedite receipt certificate within a specified period not exceeding 14 days. Failing receipt of any information regarding shortage in quantity, or rejection, within that period, the purchase officer should authorise payment on an Indemnity Bond ordinarily valid for six months. The payment, however, should be made within 90 days of the date of despatch—or 30 days of date of suppliers' representation, whichever is later—except in cases of (a) rejection, or (b) shortage, and in the latter case, after deducting the value of short receipt.

11.7. The present system of payment in the case of contracts for supply of plant, machinery and manufactured equipment is that 80 per cent. of the contract price is paid after preliminary inspection and despatch to the site and the balance 20 per cent. after the equipment has been erected and final inspection and tests carried out. If, however, the erection or final inspection and test of the equipment at site is delayed for reasons for which the supplier is not responsible, 10 per cent. of the contract price is payable after the expiry of four months from the date of arrival of the last consignment at site and the remaining 10 per cent. is payable after erection, test and approval. We understand that this rule has operated harshly against suppliers of plant and machinery in a number of cases and there have been instances of the balance 20 per cent. payment being withheld beyond two years after the entire plant had reached the site. We recommend that, in such cases, the payment of the balance 20 per cent. should be made in two instalments—the first 10 per cent. as hitherto on expiry of four months from the date of arrival of the last consignment of the equipment at site, provided that no proved defect has come to notice within that period; and the remaining 10 per cent. on expiry of eight months from the date of arrival at site (unless otherwise stipulated in the contract) against an Indemnity Bond valid for a period prescribed in consultation with the indenter.

11.8 Local delivery.—At present advance 80/90 per cent. payment is permissible only where the supplier is at a station different from that of the consignee and the stores have to be despatched by rail. This is not done where consignees are located in the same station as the suppliers; payments in such cases are made only after consignees issue final receipt certificates which takes considerable time. A number of Trade Associations have pressed for the extension of the system of 80/90 per cent. advance payment to cases of such local supplies also. We recommend that a provision similar to the existing advance payment of 80/90 per cent. on inspection of stores and proof of despatch as in the case of F.O.R. contracts, should also be made in contracts for local delivery where the present system is 100 per cent. payment against inspection and receipt of stores in sound condition by the consignee. For this purpose, the consignees should issue provisional receipt certificates on "said to contain" basis (as in the case of Railway Receipts) which the suppliers should attach to the advance bills as proof of delivery. Provisional receipt certificates should be on a prescribed form which should include a condition that the receipt is only in token of the stores having been received and is without prejudice to the consignees' right of inspection and rejection.

11.9. Delivery Grace period.—We would also like to refer to the old practice in the Directorate General of Supplies and Disposals where by inspectors, through departmental instructions, were allowed to inspect stores upto 21 days beyond the expiry of the contract delivery period, unless mentioned to the contrary in the contracts as in the case of orders against 'urgent' or 'operational' demands, or where higher prices were paid specifically for earlier deliveries, or in respect of supplies of stores whose prices are susceptible to wide short-period fluctuations. Payments were also being made during this grace period of 21 days. This system was given up in July 1953 in view of some legal difficulties. It seems to us that it is necessary to restore this facility provided it could be done without resulting in any contractual disadvantage from the purchaser's point of view. We recommend that the inspecting officer concerned should in such cases be authorised to allow an extension for a period of 21 days after the stipulated delivery date. This order of extension may be issued in the form of an addendum to the Inspection Note itself and it should be issued only after the inspecting officer has received a written request for extension from the supplier. The General Terms and Conditions of Contract should be amended suitably. At the same time, it should be made clear to all officers and authorities concerned through departmental instructions that Liquidated Damages for delay in supplies within this period of grace will not be levied.

11.10. Deposit Parties.—Some cases have been brought to our notice where payment of suppliers' bills against contracts placed by the Directorate General of Supplies and Disposals had been delayed for want of adequate credit from the deposit parties, i.e., organisations which have to deposit with the Purchase Organisation the cost of stores indented either with the indents, or subsequently, but in any case prior to

payment of suppliers' bills. We are informed that such indentors fall under three categories:

- (i) '*Post-deposit*' parties like the Damodar Valley Corporation, or the Indian Red Cross Organisation, in whose case the suppliers are required to submit their bills through the indenter concerned who in turn forwards the bill to the Accountant General, Food, Rehabilitation and Supply with the treasury receipt covering the dues;
- (ii) '*Revolving deposit*' parties like the Hindustan Aircraft Limited, or Port Trusts, who are required to maintain in deposit with the Accountant General, Food, Rehabilitation and Supply, a specified amount to be replenished as soon as the balance falls below fifty per cent. for arranging payment of suppliers' bills; and
- (iii) '*Pre-deposit*' parties like the Municipalities and other quasi public bodies who, at the time of placing the indents, are required to place at the credit of the Accountant General, Food, Rehabilitation & Supply the requisite funds to meet suppliers' bills.

11.11. Most of the delays in payments, we understand, have occurred in the case of 'post-deposit' and 'revolving deposit' parties. We recommend that all such indentors without exception, should be asked to open irrevocable Letters of Credit along with their indents to cover the estimated value of the stores plus 15 per cent. In opening Letters of Credit the indentors may have to pay a small commission to their bankers, but interest on deposits will continue to accrue till payments are made to suppliers. It should, however, be the responsibility of the Central Purchase Organisation to verify whether Letters of Credit have actually been opened and sufficient funds are available to pay contractors' bills. In any case, no contract should be placed until adequate funds have been made available by the deposit parties.

11.12. **Payments.**—We have also considered the question of delays in payment of bills in Accounts Offices. Out of 81,357 bills aggregating to a total of Rs. 39 crores received in the various offices of the Accountant General, Food, Rehabilitation and Supply, in the months of March, August and November 1952 against contracts placed by the Directorate General of Supplies and Disposals, 14,474 bills (18 per cent.) valued at Rs. 5.4 crores (14 per cent.) were returned or withheld for reasons such as incomplete or defective documentation. Of the balance, nearly 59 per cent. (70 per cent. by value) were paid within one week, 26 per cent. (19 per cent. by value) between one and two weeks, 12 per cent. (8 per cent. by value) between two and four weeks and 3 per cent. (3 per cent. by value) after four weeks from the date of receipt. While these figures in themselves are not unsatisfactory, we consider that **payment should be ensured** within one week where bills are received with complete documentations. Likewise, where bills have to be returned or withheld, necessary action should be taken promptly, within eight days of receipt of bills in any case; all the objections should be raised at one time to facilitate quick payment.

(D) REFUND OF SECURITY DEPOSITS

11.13. According to the General Conditions of Contract, Security Deposit has to be refunded to the supplier "on the due performance and completion of the contract". In actual practice, however, when a contract is completed, enquiries are instituted from other purchase officers, accounts officers and consignees to ascertain whether there is any outstanding claim against the supplier in respect of other contracts, or on any other account. This results in serious delays in refund of 'security' and consequential inconvenience to the business community. We recommend that such enquiries should be initiated at least one month before the contract is expected to be completed with a view to ensure refund of Security Deposit within 30 days of the receipt of 'No Demand Certificate' from the supplier.

(E) POWER OF ATTORNEY

11.14. Bills endorsed by a supplier in favour of a bank without executing at the same time a Power of Attorney in its favour, are not being paid by the Accounts Office at present. Before the last War, such endorsements were acted upon, so long as the bank concerned was a bank included in the Schedule to the Reserve Bank of India Act. The practice of paying to banks against only endorsements on bills, without insisting on a Power of Attorney, is common in all commercial transactions, and the additional restriction by Government in this matter is considered irksome by the commercial community. We, therefore, recommend that the production of the Power of Attorney should not be insisted upon. Further, the present practice is that whenever the Power of Attorney is produced, it has to be registered by the party; we consider that such registration is not necessary.

(F) FINANCIAL ACCOMMODATION

11.15. We find that the Directorate General of Supplies and Disposals does not normally allow any form of financial accommodation to the suppliers beyond the system of provisional payment to the extent of 80/90 per cent. on proof of despatch after inspection of stores. In the evidence before us, the commercial community has advocated several forms of financial accommodation, the more important of which are:

- (a) Opening of irrevocable Letters of Credit:
- (b) Advance payments with the order: and
- (c) Progress payments against shipping documents.

11.16. **Letters of Credit.**—The Committee on 'Finance for the Private Sector' presided over by Shri A. D. Shroff has recommended the system of opening Letters of Credit as a mode of payment to the suppliers. It says:

"We feel that, if a system of letters of credit against accepted orders is instituted by Government departments, the suppliers would be in a position to obtain prompt payment. In order to safeguard the interests of Government, appropriate conditions will have to be specified in respect of drawings under such letters of credit, and one of the conditions should be that the supplier should furnish an inspection note signed by a duly authorised officer of Government".

On an examination of this proposal, we find that the views on the subject are fairly divided; the non-officials have advocated it, while most of the official evidence is against it. It is argued that expedition in payment as a result of introduction of Letters of Credit is doubtful for a variety of reasons: the audit checks which would have to be exercised by the bank before payment is made against Letters of Credit would not be materially different from the checks that are at present exercised in the Government Accounts Offices; contracts are required to be amended frequently in respect of dates of delivery and other terms and conditions and these amendments would necessitate, in some cases, amendments to Letters of Credit also which will add one more process to the existing procedure likely to contribute to the delay in payment of bills, as these amendments can be issued only by the Accounts Offices; delays in payment are also caused by other factors like delays in inspection, or delays in issuing amendments to contracts, and Letters of Credit would not influence such causes. Further, it is stated that the adoption of such a system in regard to purchases made by the Directorate General of Supplies and Disposals would involve the Government in an expenditure of four to five lakhs of rupees annually in the form of commission to the bank, while any advantage that may accrue to the Government in return is unassured. On the other hand, the non-official evidence has affirmed that there would be prompter and smoother payments through the introduction of a system of opening of Letters of Credit and that this would be reflected in prices. Besides, it is stated that banks usually give what they call 'packing credit' to their clients against Letters of Credit and the suppliers are likely to be benefited in that they would be able to secure financial facility from their bankers on the strength of Government Letters of Credit which, in turn, will tend to lower the prices. In our country there is lot of immobilisation of capital and any credit facility to manufacturers will mean mobility of capital to that extent. We have considered all these points and are of the opinion that, while a system of opening of Letters of Credit may not be suitable for payments for supplies against Rate/Running Contracts because of the large number of Direct Demanding Officers operating on such contracts, Government should examine the question of introducing this system in the matter of securing Government supplies through other types of contracts.

11.17. **'Advance' and 'Progress' payments.**—It has been represented to us that a supplier in India is offered less favourable terms of payment than a foreign supplier. The latter sometimes receives payment of advance with order, or progress payment during manufacture and also in some cases a Bank Guarantee for the full value. A supplier in India does not get these facilities barring progress payment and that too in a few cases. He is sometimes asked to deposit security and to receive 90 per cent. payment against proofs of inspection and despatch of goods compared with 100 per cent. payment to a foreign supplier. This differential treatment between foreign and indigenous suppliers must go: the suppliers in India should not receive less favourable financing terms than are allowed when purchases are made abroad. In our opinion, Government should discourage payment of advances even to foreign suppliers save in exceptional circumstances. We understand that the Directorate General of Supplies and Disposals makes progress payments

against fabrication contracts but the system is limited to certain lines of manufacture like steel structures. We recommend a wider application of this facility.

(G) CONSIGNEE'S RIGHT OF REJECTION

11.18. One of the General Conditions of Contract gives the consignee the right to reject stores even though they may have been inspected and approved previously by the inspector. The intention is to afford an additional safeguard for ensuring supply of correct quality and quantity, as under the present system, stores are inspected at supplier's premises and the supplier is responsible for despatch of goods.

11.19. It has been represented to us by some of the non-official organisations that there is no justification for a second inspection by the consignees concerned and that the provision in the General Terms and Conditions of Contract allowing consignees the right of rejection should be deleted. We have considered this question very carefully. We feel that in the present organisational set-up, consignees should continue to have the right to inspect and reject stores on arrival even where the stores are inspected prior to despatch. In view of our recommendation made earlier in this chapter that the supplier should be paid the balance 10 per cent. of his bill within 90 days of the date of despatch on the execution of an Indemnity Bond, there should be no serious hardship to the supplier. It is, however, necessary that consignees should inform suppliers immediately on receipt of stores if consignments received have been damaged in transit or were less than those invoiced; this will enable the supplier to register his claim with the carriers (or the Insurance Company if the stores were insured for transit risks).

(H) ARBITRATION

11.20. In our Terms of Reference, we are required to examine 'whether the arbitration procedure now in force in Supply contracts is suitable'. The relevant clause in the General Terms and Conditions of Supply contracts relating to arbitration is reproduced in Appendix 37.

11.21. We are informed that out of 715 cases referred to 'Arbitration' soon after World War II, there were 343 cases in which proceedings were concluded without awards for one reason or another; in several cases the claimants did not pursue their claims. At the time of our examination, 156 cases were pending either with the arbitrators or with the umpires. It is stated that the analysis of the balance 216 completed cases is as follows:

- (a) In 115 cases arbitrators' awards were unanimous—48 'for' and 67 'against' the Government. In 48 cases the Government received a redress of Rs. 8.41 lakhs as against the claim for 8.69 lakhs, while in 67 cases the Government paid Rs. 7.96 lakhs against suppliers' claim amounting to Rs. 24.56 lakhs.
- (b) In 101 cases, for lack of unanimity between the arbitrators, awards were given by the umpires—51 'for' and 50

'against' the Government. In 51 cases the Government received a redress of Rs. 24.52 lakhs as against the claim for Rs. 34.51 lakhs; while in 50 cases the Government paid Rs. 22.80 lakhs as against suppliers' claim for Rs. 48.51 lakhs.

It is evident that in a good number of cases a reference to an umpire became necessary. Perhaps this was because of the fact that the suppliers had nominated persons who were directly interested in the suppliers or in the contracts. When the case has to be taken up before the umpire, delay naturally ensues and the expectation of a quick decision through arbitration is not fulfilled. In our opinion, the remedy lies in the removal of the unfettered discretion at present enjoyed by the contracting parties in nominating their arbitrators. We recommend, therefore, that the nominee of either of the contracting parties in dispute should either be a person whose name is borne on the panel of arbitrators maintained by the Federation of Indian Chambers of Commerce and Industry, or a person who has for not less than ten years:

- (a) practised as an Advocate of a High Court in India; or
- (b) held judicial office under a Government in India; or
- (c) a combined experience of practice and judicial office;

provided always that the person so nominated has had no hand in the case in dispute, nor is he related to the contractor, nor has he any interest in the result of arbitration proceedings. In this manner, the provision for arbitration to settle contractual disputes will be both effective and expeditious and at the same time equitable to the parties concerned.

(I) 'LIQUIDATED DAMAGES' FOR DELAYS IN SUPPLY

11.22. One of the General Conditions of Contract provides for recovery of Liquidated Damages to the extent of 2 per cent. of the value of stores for each month of delay in deliveries. Time being the essence of the contract, a clause of this nature is inevitable; but we consider that the criterion for the levy of damages in such cases should be whether the consignee has suffered any inconvenience, or loss, on account of delays in supply, or whether higher prices had to be paid to the supplier for earlier deliveries. Comparatively smaller delays could be condoned with a warning to the supplier and in the case of habitual defaulters, much the better course would be to consider removal of their names from the approved list of contractors for a specified period depending on the circumstances of each case. While the rate of recovery of Liquidated Damages has been stipulated, there is no outside limit up to which recovery might be made. We recommend that the General Conditions of Contract should provide that the quantum of Liquidated Damages for delays in supply will not exceed 10 per cent. of the contract value. In important cases, it will be open to the purchase officer to include a special "Damages Clause", if considered necessary.

(J) OTHER CONDITIONS OF CONTRACT

11.23. Apart from the major conditions of contract discussed above, a number of small but vital modifications are necessary to the General

Conditions of Contract. We have carefully gone through these conditions and suggest the following modifications to Form No. W.S.B. 133 embodying 'General Conditions of Contract applicable to Department of Supply (Purchase Branch) Contracts':

(I) *Security Deposit.*

(a) Clause 4, sub-clause (a), reads as under:—

"On acceptance of the tender, the contractor shall at the option of the Secretary, *Ministry of Works, Production and Supply, and within the period specified by him, deposit with him a security deposit not exceeding ten per cent. of the tendered value of the contract and not less than a minimum of Rupees twenty-five as he shall specify and"

There should be no need to ask for Security Deposit from a supplier registered for a store in respect of an order on him for that store. Security Deposit need not also be asked in the case of allied items for which a firm is not specifically registered, unless the purchase officer considers it necessary in any particular case. The clause should be amended accordingly.

(b) Clause 4, sub-clause (a) (i), reads as under:—

"Cash, Money Orders, Bank Deposit Receipts of the Imperial Bank of India, Demand Drafts on the Imperial Bank of India or Government Treasury Receipts paid to or in favour of the Director General of Supplies and Disposals, Ministry of Works, Production and Supply. Fixed Deposit Receipts of the Scheduled Banks, other than the Imperial Bank of India, may also be accepted provided"

It would be a great convenience to the commercial community and the purchaser as well if a bank Guarantee from a Scheduled Bank licensed by the Reserve Bank is also accepted as a form of security. The clause should be amended accordingly.

(II) *Delivery of materials after failure or termination of contract—*

(a) Clause 11, sub-clause (iii), paragraph 3, reads as under:—

"In the event of the determination/cancellation of the contract for any reason whatsoever (or on complete performance thereof) the Purchaser may, at his option (without prejudice to any rights which may be available to the Purchaser under the Defence of India Act and Rules framed thereunder) by notice in writing to the Contractor require the Contractor to deliver and the Contractor shall thereupon immediately deliver to the Purchaser all or any part of the materials so required (fabricated or otherwise) in his possession or control, got or ordered by him whether in the normal course of business or under special terms arranged through the intervention of the Purchaser or on his behalf for the performance of the said contract or any part thereof and thereupon....."

*Now the Ministry of Works, Housing and Supply.

The following amendments should be carried out:—

(i) Line 2—Delete the portion 'for any reason whatsoever'.

(ii) Lines 4, 5 and 6—Delete the bracketed portion—

'(without prejudice to any.....thereunder)'.

(b) Clause 11, sub-clause (iii), paragraph (d) at the end, reads as under:—

"In respect of finished articles rejected as not being up to specification or the standard of the accepted or sealed sample the Purchaser shall have the first option to take over the articles on payment, to the Contractor of cost of raw materials actually expended in the production thereof together with reasonable fabrication charges and the Purchaser's decision on both shall be final and conclusive."

Lines 7 and 8—Delete the last portion 'and the Purchaser's decision on both shall be final and conclusive'.

(III). *Application for extension of time*—Clause 11, sub-clause

(iv) (a), paragraph 1, reads as under:—

"As soon as it is apparent that contract dates cannot be adhered to, an application shall be sent to the office issuing the Acceptance of Tender and a copy endorsed to the Inspector specified in the schedule."

Line 4—After the word 'Inspector' add 'and also the consignee'.

(IV). *Freight*—Clause 12, paragraph 2, reads as under:—

"In the case of an "f.o.r. station of despatch" contract the stores should be booked at full wagon rates whenever available, and by the most economical route, failure to do which will render the Contractor liable for the whole or part of any avoidable expenditure, caused to the Purchaser. Where alternative routes exist, the Purchaser shall, if called upon to do so, indicate the most economical route available or name the authority whose advice in the matter should be taken and acted upon."

The above paragraph should be re-constructed to read as follows:—

"In the case of an "f.o.r. station of despatch" contract, the stores should be booked by the most economical tariff available at the time of despatch, failure to do which will render the Contractor liable for the whole or part of any avoidable expenditure, caused to the Purchaser."

(V). *Percentage Inspection and Rejection*—Clause 13, sub-clause (iv), reads as under:—

"*Inspection and Rejection.*—The Inspector may reject the whole consignment tendered for inspection if, after inspection such portion thereof as he may decide in his discretion, he is satisfied that the consignment is unsatisfactory."

Line 4—After the word 'discretion', add 'which shall not be less than ten per cent. if the contractor so desires'.

(VI). *Recovery of freight charges*—Clause 13, sub-clause (v), portion between (c) and (d), reads as under:—

"In case of contracts entered into on 'f.o.r.—Station of Despatch' basis, the Contractor shall, if stores are rejected at destination, be liable to pay the freight at Public Tariff Rates to the Purchaser even if the Purchaser had actually paid freight at Railway Material or Military Concession Rate."

This portion should be re-constructed to read as follows:—

"In the case of contracts entered into on 'f.o.r. Station of Despatch' basis, the Contractor shall, if stores are rejected at destination, be liable to pay to the Purchaser freight actually incurred in the case of stores inspected prior to despatch and freight at Public Tariff Rates in other cases."

(VII). *Rejection*—Clause 13, sub-clause (v) (d), reads as under:—

"The Inspector's decision as regards rejections as aforesaid shall be final and binding on the parties."

This sub-clause should be re-constructed to read as follows:—

"The Inspector's decision as regards rejection as aforesaid shall be subject to review by the *Inspection Authority, if the contractor so desires. The decision of the Inspection Authority shall be final and binding on the parties."

(*It is also necessary to amplify clause 1—'Definitions'—sub-clause (ix) to include the definition of 'Inspection Authority' as 'the Head of the Inspection Organisation concerned'.)

(VIII). *Inspection at suppliers' premises*—Clause 13, sub-clauses (vii), (viii) and (ix) relate to 'depot inspection' only. The text should be re-drafted to cover also inspection at the supplier's premises as well as at the consignee's end.

(IX). *'F.O.B.' and C. & F.' Contracts*—Clause 15, sub-clause (ii) (b), reads as under:—

"In the case of C.I.F. contracts, 90 per cent. will be paid on presentation of shipping documents and Inspection Certificate in India and 10 per cent. on receipt of stores in good condition."

Line 1—Before the portion "C.I.F." add "F.O.B., C. & F. and" to cover these types of contracts as well.

CHAPTER XII

INSPECTION OF STORES

12.1. Normally, all stores procured through the Directorate General of Supplies and Disposals are inspected prior to supply. The 'Inspection' is entrusted to an independent branch of the Directorate General (S & D), viz., the Inspection Wing, or the Army Inspectorate, or the consignee, as the case may be. For this purpose, the purchaser sends a copy of the contract to the inspection authority concerned which details an officer of the appropriate grade to undertake inspection, depending upon the value and the nature of the store involved. It is the responsibility of the supplier to invite the inspector for inspection when the stores are ready. The procedure for inspection differs from store to store. In some cases, advance samples are required to be approved prior to bulk manufacture, or bulk samples are required to be drawn, or samples are required to be sent to laboratories for tests, or confirmatory tests in laboratories are considered necessary; in some cases, stores are inspected visually on the basis of manufacturers' test reports; in some cases, inspection is carried out on percentage basis; and so on. All these are technical subjects and it is not possible to deal with them in this Report. There are, however, certain general aspects of inspection policy and procedure, e.g., multiplicity of inspection agencies, technical facilities with inspection personnel, stage inspection, percentage inspection, delays in inspection, test houses, etc., which we propose to examine in this chapter.

(A) INSPECTION AGENCIES

12.2. The list of major agencies authorised to inspect stores ordered by the Directorate General of Supplies and Disposals is placed at Appendix 38. Generally speaking, the inspection of Civilian requirements is done by the Inspection Wing attached to that Organisation. The Defence stores on the other hand—whether purchased through the Central Purchase Organisation or directly—are inspected by the Directorate of Technical Development attached to the Master General of Ordnance through its units located at Kanpur, Kirkee, Ishapur, Amednagar, etc. A few common-user items of Defence requirements are, however, left to the Director General (S & D) for inspection. Other major inspection agencies are: Sleeper Control Group under the Railway Board for inspection of railways' timber requirements, Medical Stores Depots under the Directorate General of Health Services for inspection of Civilian medical stores and the Controller of Printing and Stationary for inspection of stationary articles including paper. State Governments, we understand, have no special arrangements for inspection which is generally carried out by the consignees concerned.

12.3. The view has been expressed before us that 'Central Inspection' is as important as 'Central Purchase' from the point of development of industries. It is stated that unified control on inspection helps maintain uniformity in the methods of inspection and standards of acceptance which goes a long way in improving the quality

of products. A central agency is in a better position to suggest tolerances and relaxations in specifications to suit indigenous production particularly in the sector of cottage and small-scale industries. Such an agency also helps to form a pool of resources to render technical advice to the purchaser as well as the manufacturer. Further, a central organisation by virtue of its size is in a better position to depute full-time inspectors at suppliers' works to carry out inspection through all stages of manufacture and thus avoid bulk rejection at the end. Existence of two or more inspectorates under different authorities for inspection of the same or similar products is duplication of effort not conducive to economy. A central inspection agency will ensure economy in the employment of technical personnel and in the use of testing equipment in laboratories of which there is already shortage in the country.

12.4 Limitations.—While we appreciate the advantages that may accrue through a system of central inspection, there are in our opinion, serious practical difficulties in extending the system over a much wider field than at present. For instance, the inspection of certain highly specialised stores—whether purchased centrally or otherwise—should, as at present, be entrusted to specialised inspection cells attached to indenting departments who have the requisite specialised personnel and testing equipment for the purpose. Similarly, the inspection of some of the Defence stores like lethal weapons where even a slight variation may lead to serious consequences should more appropriately be the responsibility of the Defence Inspectorates. There is also the consideration that a central inspector has to work within the specifications and tolerances laid down by the indenter and in certain cases it might be easier to secure relaxations necessary for the development of indigenous industries if the inspector were directly connected with the user. On the whole, however, we agree that, in addition to the types of stores required by two or more indenting departments, many of the normal requirements of even such stores which are demanded exclusively by a particular department, e.g., the Railways or the Posts and Telegraphs, but which do not require a specialised technique for inspection should continue to be inspected by the central agency. From this point of view, a certain number from amongst the articles at present reserved for inspection by the indentors' inspectors can be transferred to the Directorate General of Supplies & Disposals provided it has the requisite personnel and adequate testing facilities. Where such transfer is not feasible, it might be an advantage to unify inspection under the control of the major consuming department. We recommend, therefore, that the lists of articles, which should be inspected by either the central or departmental inspection agencies, should be reviewed by the Purchase and Development Board in consultation with the indentors, bearing in mind the considerations we have pointed out above. By and large, we consider that arms and ammunition, communication equipment, vehicles, specialised aircraft and naval stores should be left for inspection by the Defence Inspectorates and a considerable proportion of the other Defence requirements could be transferred to the central inspection agency. In any case, there is no reason why there should be more than one inspection agency for items placed on Rate/Running Contracts.

12.5. We are recommending later in the Report that some percentage of the staff required for the Central Purchase Organisation should be drafted from the major indenting departments—see paragraphs 14.13 and 14.14. This is particularly desirable from the point of view of inspection of stores. Apart from the highly specialised stores where the responsibility for inspection should rest with the users, there are several items of a less specialised nature purchased through the Central Purchase Organisation; wherever the bulk of such purchases permit, the inspection of these stores could with advantage be entrusted to the technical personnel drafted from the respective departments. There would at the same time be no objection to these deputationists carrying out inspection of allied stores required by other departments.

12.6. We have recommended elsewhere in this Report that indenting departments may continue to make direct purchases in emergencies. We have also suggested direct purchases in the case of industrial and river valley projects during the construction period. Indenting departments will also continue to make purchases against small demands. Even so, the inspection of stores against direct purchases could with advantage be entrusted to the Central Inspection Agency. Reference to Appendix 38 will show that this is, in fact, being done to a considerable extent already inasmuch as more than 1/3rd of the load with the Inspection Wing of the Directorate General (S. & D.) represents outside orders. We recommend even greater utilisation of the Central Inspection Agency by indenting departments, autonomous boards and corporations, industrial and river valley projects, quasi public institutions, etc., for inspection of stores purchased directly. Likewise, State Governments should be requested to make full use of the Central Inspection Agency. It will be in the interest of indentors to do so as the services of the organisation will be available to them free of cost in accordance with our recommendation for abolition of purchase and inspection charges.

(B) FACILITIES FOR ROUTINE TESTS WITH INSPECTORS

12.7. Later in this chapter, we are recommending that a branch of the Government Test House, Alipore, Calcutta, should be set up immediately at Bombay—see paragraph 12.19. There is, however, a great need to cut down to the minimum references to the test houses to avoid delays in testing of stores by providing additional facilities for carrying out routine tests in the inspection units of the Central Purchase Organisation.

12.8. In more advanced countries, industrial establishments maintain their own testing laboratories and ordinarily it is not necessary for an inspecting agency to have any laboratory of its own; most of the routine work is arranged in suppliers' laboratories. In India, however, there are very few industrial units equipped with laboratories, and even where such facilities are available inspectors are not inclined to avail themselves of the use of such laboratories because of the unreliability of calibration and condition of the testing equipment. The regional inspection offices of the Directorate

General of Supplies and Disposals at Calcutta and Bombay have certain equipments for testing of stores but these are not considered adequate. Inspectors have practically no facilities in other Inspection Circles; a large number of technical queries with samples are required to be sent to the central test house resulting in inordinate delays in supplies. It is, therefore, necessary that Regional Inspectorates should have 'spot' laboratories of their own to carry out routine tests. We recommend that a technical committee should be appointed to assess the testing facilities available with the inspection offices of the Directorate General (S. & D.) and to recommend provision of necessary machines and equipment to carry out routine tests locally.

(C) STAGE INSPECTION

12.9. There is unanimity in the evidence before us that the system of stage inspection adopted by the Government inspection agencies—under which raw materials, components, etc., are inspected at various stages of manufacture, particularly for more important engineering stores—has been of considerable help to both the supplier and the purchaser. Stage inspection ensures quality of manufacture in all its details and also avoids bulk rejection at the end. A large sector of our industry is still in a developmental stage and many industrial units have yet to set up internal inspection 'cells'—independent of production management—for quality control. It is necessary in such cases to undertake inspection at various stages of manufacture. In more industrialised countries where methods of production and internal quality control have been sufficiently developed, a large variety of stores do not call for stage inspection; in India, at least for some years to come, stage inspection has to be carried out for a larger range of articles which are not produced on mass scale. It is all the more necessary in the case of the products of cottage and small-scale industries. With a view to ensure economy in the cost of inspection, however, a judicious list of stores warranting stage inspection, which should take into account not only the nature of the store but also the method of production and the reliability of the supplier, should be prepared for the guidance of inspectors. We recommend, therefore, that the Central Inspection Agency, in consultation with the indentors concerned, should draw up such a list which should be reviewed periodically.

(D) PERCENTAGE INSPECTION

12.10. We understand that the Central Inspection Agency inspects each unit of the article produced except in the case of items of bulk manufacture like nuts, bolts, rivets, paints, oils, lubricants, textiles, etc. While there is need for cent per cent inspection in certain classes of stores, we consider that there is a good deal of scope for extending the system of percentage inspection to many more stores which would yield equally satisfactory results. Apart from increasing costs, the system of cent per cent inspection often does not allow the inspection agency to keep pace with the rate of manufacture with the result that production is retarded. Irrespective of the manner and method of inspection and the personnel employed

for inspection, a certain proportion of rejections at consignee's end is usual and what is required is to strike a mean between the prohibitive costs of hundred per cent inspection and the quantum of sub-standard supply which may escape detection because of percentage inspection. At present, no list has been prepared of stores suitable for percentage inspection, nor have detailed instructions been issued in regard to the mode of drawing samples. We recommend, therefore, that the Central Inspection Agency, in consultation with the major indentors concerned, should draw up a list of stores for which percentage inspection may be carried out and also prescribe the mode of drawing samples for the guidance of inspectors. Such a list should be reviewed periodically on the experience gained.

12.11. We are informed that no limits have been laid down as to what percentage of stores should be inspected from a given lot; this discretion normally rests with the inspector. While we agree that the quantum of stores to be inspected depends on the nature of stores, the method of manufacture and reliability of the producer, it is necessary that the system should be codified in the interest of all concerned. Further, with a view to effecting improvements in the system, it is desirable that the Central Inspection Agency should know the results of percentage inspection as revealed at the consignee's end. For this purpose, we recommend that the Central Inspection Agency should call for periodical reports from selected consignees.

(E) DELAYS IN INSPECTION

12.12. Several instances have been reported to us regarding delays in inspection, which result not only in delays in payments of suppliers' bills but also delays in supplies. Broadly speaking, delays in inspection can be classified under three main categories:

- (1) delay in deputing inspectors;
- (2) delay in physical inspection of stores, including testing;
and
- (3) delay in issue of Inspection Notes.

12.13. As regards the time taken by the Directorate General of Supplies and Disposals in deputing inspectors, an analysis of the Inspection Notes issued during the months of March, August and November, 1952, reveals that, in about 76 per cent of the cases inspectors were deputed within 3 days, and in about 14 per cent cases between 3 and 7 days from the receipt of requests from suppliers—see Appendix 39. While this position is considered fairly satisfactory, cases of serious delays have been brought to our notice especially in regard to the stores offered in mofussil areas; there have also been considerable delays in this regard in the case of imported stores where inspection was to be carried out at manufacturers' works by the India Store Department, London. We gather that, with a view to ensuring economy, inspecting authorities take into account the value of stores offered for inspection and the cost on travelling in deputing inspectors to out-stations and they often wait for a reasonable accumulation of stores for inspection. This puts the out-station suppliers at a great disadvantage. We recommend that, irrespective of the value of stores offered for inspection

and the location of supplies, inspection must commence within a week at the latest from the receipt of intimation from the suppliers to start inspection. Unless this is done, we apprehend that cottage and small-scale industries in particular will be severely handicapped. It is also necessary that due notice be taken of the perishable nature of stores as well as the contractual delivery period while according priorities for inspection. We are informed that in the case of timber where the 'felling' season is brief, the inspection authorities have often not been in a position to cope with the work with the speed desired. While we appreciate that undue strengthening of the inspectorates for inspection of commodities of seasonal character is not advisable, necessary measures have to be taken to obviate delays in inspection. For example, arrangements could be made with the indenting departments to avail of the services of suitable technical personnel to tide over such occasional rush.

12.14. Several cases have been brought to our notice of inordinate delays in the testing of stores where samples have to be drawn and sent to a central test house like the one at Alipore. An analysis of the bills paid during the months of March, August and November, 1952, shows that, while in about forty per cent cases Inspection Notes were issued within one week of the date of commencement of inspection, the balance sixty per cent were delayed by an appreciable period—twenty per cent between 1 and 2 weeks, twenty per cent between 2 and 4 weeks and twenty per cent beyond 4 weeks—see Appendix 40. This position is far from satisfactory. We are recommending later in this chapter the establishment of a test house at Bombay which will relieve much of the congestion at the Alipore Test House, Calcutta. It is, however, necessary to specify some time-limit for completing inspection. We, therefore, recommend that in the case of stores not involving testing at outside laboratories, inspection should be ordinarily completed within one week from the commencement thereof. As regards the stores requiring elaborate tests, a period of 4 weeks at the outside should be enough. It should, however, be open to the purchaser at the time of placing orders to specify a longer period in this respect if he considers this necessary on account of the peculiar nature of the stores. With a view to checking the tendency for delays in drawing and despatch of samples, physical tests at suppliers' works, as well as testing in outside laboratories, the inspecting authority should be called upon to send weekly returns of all cases where the time taken for inspection and test has exceeded the prescribed limits. Such returns should be examined by a specially appointed technical officer, (attached to the Progress Wing recommended earlier) who would then be in a position to issue necessary instructions for improvement in the position.

12.15. Further, we consider that after the stores have been inspected and approved, issue of Inspection Notes should not be delayed beyond 24 hours.

(F) TEST HOUSES

12.16. Very often, samples of stores to be purchased are required to be tested in a laboratory for ensuring quality. For this purpose, 12 W. H. & S.

the Directorate General of Supplies and Disposals normally utilises the services of the Government Test House, Alipore, for general stores and those of the Metallurgical Laboratories at Tatanagar and Burnpur for metals and firebricks. Generally, samples against Defence requirements are, however, tested by the Directorate of Technical Development in its laboratories located at Kanpur, Kirkee, Ishapur, Ahmednagar, etc. The evidence before us is agreed that the equipment available at the Alipore Test House is inadequate (in some cases even out-of-date) and that the institution is understaffed with the result that considerable delays occur in getting samples tested which, in turn, delays supplies. In April, 1953, the Ministry of Works, Housing and Supply appointed a committee under the Chairmanship of Dr. J. C. Ghosh to report on the working of the Test House at Alipore, including the quality and quantity of equipment at its disposal, methods of testing and adequacy of the staff. We understand that the Report of that Committee is under consideration with the Government. We have not, therefore, covered these details. We would, however, like to invite Government's attention to a few general aspects of test houses in the country.

12.17. Unlike the Government Test House, Alipore, the Defence laboratories, which we understand are well equipped for testing of general stores also do not ordinarily undertake testing of samples against non-Defence demands. While we recognise that the primary function of the Defence laboratories is to conduct studies with a view to develop indigenous manufacture of Defence requirements, we consider that, in the lines where the Alipore and other test houses are not equipped to undertake testing, the Defence laboratories should assist when requested by the Directorate General (S. & D.) and other purchasing and indenting departments.

12.18. We further suggest that the possibility of utilising the chain of National Laboratories for purposes of testing of samples should also be examined. We have considered the feasibility of bringing all the Government laboratories—research as well as testing—under a common control for rationalisation of their activities, but we feel that such an integration may present practical difficulties. All the same, these laboratories should arrange for exchange of information on subjects of mutual interest. It is also necessary that results of tests and research of wider application should be made known to the industrial community and discussed freely with the technicians engaged on production, for improving matters all round. At present, the industry knows very little about the methods of testing adopted by, and the testing facilities available with, the Government laboratories and test houses.

12.19. Apart from the possibility of the increased use of Defence and National Laboratories for testing of samples, there is in our opinion great need to establish in Bombay a branch of the Government Test House (Alipore) to avoid the necessity of samples having to travel long distances. This would at the same time reduce the load on the Alipore Test House. We consider that the volume of work in the Bombay area justifies a branch test house in that

region. Later, it may be necessary to establish more test houses at places like Madras, Kanpur or Hyderabad. We consider it desirable that such test houses should be kept under the control of the Alipore Test House for ensuring uniform methods of testing and common standards of acceptance. We also consider that in selected cases the Central Purchase Organisation could with advantage make use of the testing facilities available with the industry and other private laboratories and technical institutions.



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CHAPTER XIII

DISPOSAL OF SURPLUS STORES

13.1. Item 8 of the Terms of Reference reads as follows:

“To examine the policy, procedure and method of disposal of surplus stores, with particular reference to their utilisation against Governmental requirements.”

Before we take up the questions of policy, procedure and methods of disposal, it will be helpful to review the evolution of the Central Disposals Agency, its relation to the Central Purchase Organisation, as well as the procedure adopted by stockholding departments for determination of surpluses.

(A) DISPOSALS ORGANISATION

13.2. **Historical background.**—Soon after World War I, a nucleus Disposals Unit was established in the form of a ‘Cell’ attached to the Contracts Directorate (of the Defence Services) which was then responsible for the procurement of Army requirements. We understand that the average annual realisation from sales of Defence surpluses in those days was of the order of Rs. 30 lakhs. With the outbreak of World War II, the activities of the Disposals Unit were considerably reduced; in fact, the emphasis was shifted to re-utilisation of surpluses to meet the emergency. On the cessation of hostilities, however, the position changed radically, and the Defence Services had enormous surplus stores on hand for disposal. The situation was aggravated further by the acquisition of surpluses held on behalf of the U.K. and the U.S.A. Governments, and the total volume of surpluses for disposal then was of the order of Rs. 500 crores. These surpluses were of a wide variety and the condition of stores was anything from ‘brand new’ to ‘scrap’. A large proportion of these goods was of specialised nature—not quite in line with Civilian demands.

13.3. Essentially with a view to take care of the large surplus stocks of the Defence Services, a special Disposals Organisation was set up in the year 1943 within the Directorate General of Supplies with regional offices at Calcutta, Bombay, Madras, etc. Late in the year 1945, this Organisation was given a separate entity under the administrative control of the then Department of Industry & Supply. A large proportion of surplus stores was disposed of by the year 1951 when the strength of the Disposals Organisation was considerably reduced and the set-up was subsequently merged with the Directorate General of Supplies and Disposals in the form of a separate Wing.

13.4. **Scope and functions.**—All the Central Government departments excepting the Railways are required to declare their surplus stocks exceeding Rs. 1,000/- in

value (Rs. 5,000/- in the case of Defence) to the Directorate General of Supplies and Disposals for disposal. The stockholding departments are, however, authorised to dispose of directly scrap and salvage materials irrespective of value. A question has been raised before us whether the scope and functions of the Disposals Organisation should be broadened, or whether, in view of the comparatively small volume of peace-time surpluses, the Central Organisation should be disbanded transferring the responsibility for disposal to the stockholding departments. We have examined the question carefully and consider that the present position may continue for some time. After a period of four to five years, when the volume of Defence surpluses falls, we recommend that steps should be taken to de-centralise the disposal activities, entrusting the work to the respective stockholding Ministries or Departments.

13.5. Merging 'Disposals' with 'Supplies'.—Meanwhile, as desired by the Ministry of Works, Housing and Supply, we have examined the question of the desirability and feasibility of integrating the 'Supplies' and 'Disposals' Wings of the Directorate General of Supplies and Disposals. It has been argued that entrusting the responsibility of purchase and disposal of the same category of stores to the same set of officers will promote greater utilisation of surplus stores to meet the regular indents received from various indenting departments. A survey of the utilisation of surpluses against regular Government demands, however, shows that, during the year 1952-53, out of the total disposal worth Rs. 10,37 lakhs (book-value), stores valued at only about Rs. 31,000/- (book-value) could be utilised against normal indents and that, during the years 1950-51 and 1951-52, not a single regular indent could be met from the surpluses although the total disposal during these years was of the order of Rs. 34.46 and Rs. 18.10 lakhs (book-value) respectively—see Appendix 41. On account of the nature and the condition of surpluses, results could not have been any better and the prospects of such utilisation in the future will also not be any better, particularly as new stores are not likely to be declared for disposal. Further, there is nothing in common in the problems of 'Purchase' and 'Disposal'. The Central Purchase Organisation has to concentrate on development of industries through purchases and any additional burden in another direction will divert its attention from the main objective.

13.6. In the circumstances, we would be justified in recommending an entirely separate organisation for the disposal activities. For historical reasons, however, a large number of personnel for 'Disposals' has been drawn from the 'Purchase' side, and many of them have some purchase experience as well. We do not, therefore, recommend complete separation of the two; but neither do we suggest complete integration. The Supply and Disposals Wings of the Directorate General (S & D), in our opinion, should be two separate entities under the same Director General with a Deputy Director General in charge of the 'Disposals' side, so long as the volume of surpluses awaiting disposal remains high. There will, however, be an advantage, because of the past history of the Organisation, in having a joint cadre for the two Wings, although in practice, they would be working as two separate units.

(B) DETERMINATION OF SURPLUS

13.7. Like the assessment of requirements, each Government department has its own method for determination of surpluses for disposal. We understand that the Defence Services review annually the position of stocks and after financial approval, declare to the Disposals Organisation the stocks in excess of specified years of requirements of specific classes of stores. The practice with the Railways on the other hand is to appoint special Survey Committees of senior officers of the stores and consuming departments to examine the position of stocks of items not issued during previous two years and declare for disposal only such quantities as are not likely to be used in the near future. The Posts & Telegraphs Department determine their surpluses after taking into account two years' requirements. We are informed that all Government departments, as a rule, take into account the requirements of other units under their control before declaring any surplus for disposal.

13.8. It has not been possible for us to examine in detail the working of the methods of determination of surpluses followed by various Government departments. Elsewhere in this Report, we have recommended that one of the functions of the proposed Purchase and Development Board should be "to review the existence of surpluses which come to notice, either as a result of an actual declaration by the stockholding department, or in the process of reviewing an indent for the store". As the Purchase & Development Board gains experience through review of indents and declaration of surpluses, we feel, it will be in a position to suggest necessary measures for improvement in the system of determination of surpluses. The Board will also be able to investigate cases of surpluses arising out of defective indenting, or delayed declaration of surpluses or any other co-related matter.

(C) GENERAL POLICY AND PROCEDURE

13.9. We are informed that the Government's disposal policy aims at the maximum utilisation of surplus stores to meet Governmental requirements, as well as those of the other nation-building activities, and for the balance, at achieving orderly, rapid and widespread distribution of surplus stores without disturbing the economy of the country. For effective implementation of this policy, the following guiding principles are observed:—

- (i) To allocate surpluses at pre-determined prices for meeting demands of the 'Priority Indentors', viz., Government departments (Central as well as State), industrial and river valley projects, quasi public bodies and educational institutions; and
- (ii) For the rest (i.e., those not taken over by priority indentors);
 - (a) to regulate the pace of disposal, and
 - (b) to give wide publicity both before and after sales.

13.10. Surplus stores not required by the priority indentors are normally disposed of either through open tenders, or through public

auctions, except in the case of controlled materials like iron and steel for which controlled channels are utilised. In the initial stages, however, i.e., upto April, 1947, when the bulk of the surpluses was of consumer goods, or raw materials, the usual method of disposal was by negotiations. As a result of recommendations made by the Disposals Enquiry Committee (1946-47), the system of large-scale negotiations was dispensed with and since then negotiations are not resorted to save in exceptional circumstances. Sometimes capital goods, e.g., plant and machinery items received through 'Reparations' are sold to genuine industrial users at pre-determined prices.

13.11. The Government of India had appointed two Committees—one in 1946 and the other in 1948—to examine and report on the working of the Disposals Organisation. Most of the recommendations made by these two Committees were accepted and are being followed by the Government. Further, we understand that recently a special procedure has been evolved to accelerate the pace of disposal and hope that as a result of these measures, the current stocks as well as surplus offered in future will be dealt with expeditiously. We attach considerable importance to speedy disposal of stores to relieve congestion in the covered accommodation with the stock-holding departments. As pointed out earlier, the surplus holdings are not yet at the normal peace-time level and during the course of the next five years, the Disposals Organisation will have to continue to deal with abnormal surpluses. Any delay in disposal would mean further deterioration of stocks and difficulty in housing new stores.

(D) UTILISATION OF SURPLUSES AGAINST GOVERNMENT DEMANDS.

13.12. Utilisation of surpluses against Government demands and other nation-building activities is at present being ensured in three ways, viz. (i) consultations amongst departmental units prior to declaration of surpluses, (ii) ascertaining the possibility of diversion of surplus stores to priority indentors and (iii) screening of fresh indents received in the Central Purchase Organisation.

13.13. **Reference to co-units.**—While we agree that consultations amongst departmental units prior to declaration of surpluses should continue as allied establishments are more likely to find some use for the surpluses, we feel that such internal consultations should not take more than four to six weeks. Cases have been brought to our notice where stock-holding depots have taken months for this co-ordination. It is equally clear that where such consultations have taken place, it should not be necessary for the Central Disposals Organisation again to contact other units of the same Ministry for ascertaining possible utilisation of the surpluses; for example, if stores have been declared surplus to the Disposals Organisation by an Army unit, it should be assumed that the Naval and Air Force indentors would not be interested in taking over the items.

13.14. **Diversion to Priority Indentors.**—With a view to ascertain the possibility of diversion of surplus stores to meet the requirements of other Government departments or priority indentors, the practice with the Directorate General of Supplies and Disposals is to acquaint them of the availability of the surpluses through circulars as well as through printed

catalogues prepared periodically. During the years 1950-51, 1951-52 and 1952-53, out of the total disposal of stores worth Rs. 62,93 lakhs (book-value), the Government and other priority indentors took over buildings and fixtures worth Rs. 8,49 lakhs (book-value) and other stores worth Rs. 19,33 lakhs (book-value)—see Appendix 41. Of this, stores worth Rs. 4,16 lakhs (book-value) were allocated to non-Government bodies, mostly educational and reasearch institutions. These results though not unsatisfactory are capable of being improved by simplification of procedure and by enlisting the active co-operation of the possible users. At the same time, the Disposals Organisation must ensure that the pace of disposal is not unduly retarded in its endeavour to utilise surplus stores.

13.15. We have analysed several suggestions made to us in this regard by stockholding depots, indenting departments and others. We recommend that the following steps should be taken to improve the prospects of utilisation of surpluses:—

- (i) The endeavour for re-utilising the surplus should be confined to 'new' and 'serviceable' stores only.
- (ii) The lists of surplus stores for circulation to the priority indentors should be prepared twice a month and categorised into small trade groups for easy understanding.
- (iii) Wherever possible, trade nomenclature should be used for describing the stores.
- (iv) The fullest possible informations should be given about the condition of the stores.
- (v) Priority indentors should be allowed a period of six clear weeks to analyse the lists of surpluses.
- (vi) Wherever possible, the Directorate General (S & D) should establish contacts direct with the large potential users.
- (vii) While effort is being made to ascertain possibility of re-utilisation of surplus by priority indentors, all other action short of actual sale should be pursued in the normal way.

Regarding (iii) and (iv), we recognise the limitations of the Central Disposals Organisation and it should be the responsibility of the surplus declaring authorities to ensure sufficient and intelligible information in their declarations of surpluses for disposal. As regards (vi), we understand that a special post of a Publicity and Liaison Officer, is being created in the Disposals Organisation to provide for liaison with the consuming departments for publicising the surpluses and inducing them to make use of surplus stores offered at concessional prices. This, in our opinion, is necessary as proper salesmanship is required for inducing the Government departments to accept disposal stocks. For more effective results we suggest that Government should consider the feasibility of appointing non-official agents or agencies on commission basis for this purpose. We attach considerable importance to (vii) above because we feel that the pace of disposal should not be subordinated to the

prospects of re-utilisation which are not always very bright. We understand that very recently the Disposals Organisation has started the practice of offering only a quarter of the surpluses to other Government departments and priority indentors and proceeds to take action for the disposal of the balance on the assumption that the whole of the stores are unlikely to be taken up by other Government departments and priority indentors. We think this is a step in the right direction and that this procedure is justified by experience.

13.16. 'Release' prices for Priority Indentors.—We understand that an inducement to the priority indentors is provided by offering them surplus stores at twenty per cent. of the assessed market value. To the educational and scientific institutions offers are made at five per cent. of the assessed market value. While we agree that such concessions were necessary in the early post-war period when the market was flooded with disposal material (and some inducement is still called for), these rates in the context of present-day conditions and in relation to the quantum and quality of current surpluses are, in our opinion, very much on the low side. We recommend, therefore, that a rate of forty per cent of the assessed market value of the store, or ten per cent of the book-value where market prices are not ascertainable, should be charged to priority indentors—Government and *quasi* Government—and half these rates to educational institutions and hospitals.

13.17. Screening fresh indents.—The system of screening fresh indents received in the Directorate General of Supplies and Disposals with a view to meeting the demands from available surpluses has not produced any tangible results. As pointed out earlier, during the years 1950-51 and 1951-52 not even one indent could be met from the surpluses held, and in the year 1952-53 stores worth about Rs. 31,000/- (book-value) yielding a sale value of Rs. 6,229/- could be diverted to meet such demands against the total sales of Rs. 10.37 lakhs (book-value)—see Appendix 41. We recommend, therefore, that this system whereby the Purchase Wing checks each fresh indent with the Disposals Wing, should be discontinued as the time consumed in such checking is clearly not worthwhile. The priority indentors, who form the bulk of the indenting departments, are apprised of the surplus arisings from time to time and such intimation should be sufficient to secure the object in view.

(E) PRICING POLICY

13.18. Perhaps the greatest single factor responsible for the slow pace of disposal is the Government's anxiety to ensure maximum return for the sale of goods to the public. This endeavour on the part of the seller is understandable, but has to be reconciled with the need for speed in disposal. Non-acceptance of bids in the first instance in the hope of getting better prices through a series of subsequent tenders or auctions has often led to avoidable losses. As stated earlier, delay in disposal entails further deterioration in the condition of the surplus most of which is lying in the open. There is an understandable reluctance on the part of the temporary staff employed in the Disposals Organisation to hasten the rate of disposal. The question of permanency of the staff is considered later in the Report—see paragraph 14.9.

13.19. Except for the useless and derelict surpluses, the present procedure for disposal calls for fixation of either a 'guiding' or a 'floor' price in each case to govern decisions against tenders and auctions. The procedure in a nut-shell is: first, to ascertain current market rates either from the Supplies Wing, or by reference to manufacturers' catalogues, or through informal contact with local dealers, or on the advice of the technical officers of the Inspection/Development Wing—the last named being confined to stores of a specialised nature; then to assess current market value with due regard to the quantity, quality, serviceability, marketability and location of the store, reasonable return to the middlemen and past experience on the sales of the same or similar goods on the basis of which the 'guiding' or 'floor' price is laid down; and finally, to invite tenders or conduct auctions and close the deal if the highest bid is not below the 'floor' price or very different from the 'guiding' price. The 'reserve' or 'floor' prices are fixed for more important stores and the 'guiding' prices for the rest. The Disposals officers have no discretion to go below the 'reserve' prices without consulting the Director General personally. They are, however, authorised to accept within their own discretion bids up to a limit, of minus 10 per cent.—this has now been raised to 25 per cent.—in the case of guiding prices, and even lower subject to recording reasons in writing for information of the Director General in due course. If the tenders or auctions prove infructuous because of the bids being appreciably below the expected return, the sale is again advertised after revising the 'guiding' or 'reserve' price which often is the highest bid received on the first occasion. The so-called 'assessed market prices' which are the basis for fixing the 'guiding' or 'reserve' prices, have often proved in the past much on the high side because of firstly, the lack of adequate commercial intelligence with the Disposals Organisation and secondly, the actual condition of the store at the time of sale being substantially different from what it was reported initially by the stockholding department.

13.20. This procedure has had the inevitable effect of a series of abortive sale endeavours. During the calendar year 1953, stores worth Rs. 7.5 crores were offered for sale to the public, but not more than Rs. 4.3 crores worth of material could be finally disposed of—the rest being held over in the hope of getting better prices next time. In April, 1953, a system was introduced whereby the Assistant Directors or Deputy Directors supervising auctions were required to examine other surpluses in the depot for more realistic valuation for fixing reasonable 'guiding' and 'reserve' prices. This did not improve matters as the officers concerned were not always technically qualified. In July, 1954, three special Field Officers with technical qualifications were appointed to survey individual lots of surpluses valued at Rs. 50,000 or more (book-value) with the primary object of physical technical inspection prior to deciding the mode of disposal and for fixing realistic 'guiding' or 'reserve' prices. It is too early to judge the utility of this 'inspection cell'; the broad indications are that the 'guiding' and 'reserve' prices would still continue to bear little relation to the bids actually received, and final decisions would be delayed. We recommend, therefore, that, with a view to minimise the number of infructuous sales, the 'guiding' and 'reserve' prices should be fixed at a more moderate level.

13.21. The Ministry of Works, Housing and Supply in consultation with the Ministries of Defence and Finance, are now sending

auctioning teams of three officers—a 'Disposals' officer, a 'Finance' officer and a technical officer—to larger depots for conducting on the spot quick 'clearance sales' for relieving congestion in the covered accommodation. We are further informed that the intention is to give wide powers to these teams to decide on the mode of disposal as well as to accept bids finally. We recognise, however, that certain percentage of stores of all-India importance will still have to be sold through open tenders in preference to public auctions and wherever large values are involved, officers of suitable status will have to be drafted for supervising auctions. We also recognise that the team will have to visit each depot twice—once for assessing the market price, through physical inspection and then for the final auction. Nevertheless, in our opinion, this step is in the right direction and should be pursued to relieve the congestion in more important depots.

13.22. It will not be out of place to mention here that the advertising system for disposal of stores requires to be improved considerably. In this regard, the type and medium of advertisement adopted for tenders for purchase of stores will not be suitable for sale of goods. The lay-out and text of 'disposal' advertisements need to be more attractive—something on the lines adopted by the commercial community for marketing their products. We are glad to note that the department has recently started utilising the services of the All India Radio for broadcasting the availability of large-valued surpluses at various depots. Likewise, greater attention should be paid to the convenience of the prospective buyers and ultimate purchasers. The depots should be kept open for at least a week—the present practice, we understand, is two days—prior to auction for inspection of goods. Arrangements should also be made to receive the visitors and show them round with all courtesy. Further, every possible assistance should be offered to the successful bidders for removal of their purchases, e.g., facilities for craneage or lifting-tackle wherever required should be given on moderate terms. In short, the Disposals Organisation should adopt commercial practices for effective sale of goods.

(F) DISPOSAL—'AS IS, WHERE IS'

13.23. The Central Disposals Organisation has no machinery to ascertain the condition and quality of surplus stores beyond the general indications given by the surplus declaring authorities. We understand that, while some indication regarding quality such as 'new', 'serviceable', 'unserviceable', etc., is given to the Government departments likely to be interested in taking over the stocks, no idea whatsoever is given to the public when tenders are invited for disposal of surpluses. It is left entirely to the intending buyers to inspect the stores for assessing quality. In fact, one of the conditions of such sales is that the seller takes no responsibility in this regard and no claim would lie against him on account of any errors in description, etc. Normally, surplus stores are disposed of in whatever condition they may be and wherever they may be lying under what is known as 'As-Is, Where Is' basis.

13.24. A suggestion has been made to us by some of the Trade and Industrial Associations that it would be in the interest of the Government to survey the surplus and indicate precisely the condition

of the stores while inviting tenders. We have considered this suggestion carefully, but feel that there are serious difficulties in detailed inspection of surplus stores for assessing quality and segregating different lots according to quality. We recommend, however, that as for priority indentors, detailed information furnished by the surplus declaring authorities regarding the condition of the stores should be notified to the public while inviting tenders for disposal of surpluses. All the indications on quality should be as at present without any commitment on the part of the seller to prevent possible claims for compensation and damages.

13.25. We also understand that except in the case of tenders where sometimes bids are invited for units of number or weight, the broad basis, viz., 'As Is, Where Is' is applicable to quantity as well. The usual practice in the disposal deals is to call for bids on 'said to contain' basis without any guarantee for quantity. A case has been brought to our notice where a particular lot said to contain 602 pieces revealed just two pieces and yet, no consideration was shown to the successful bidder on the plea that his claim for refund on account of the discrepancy in quantity was not legally tenable! Apart from equity, we feel that the absence of assurance of quantity is working to the disadvantage of the Disposals Organisation inasmuch as the intending purchasers naturally cover the risk involved while submitting their offers. In paragraph 82(i) of its Report, the Disposals Enquiry Committee (1946-1947) presided over by (late) Sir Maurice Gwyer had already recommended that "the conditions of sale should be modified so as to guarantee at least the quantity of goods offered for sale, if necessary with prescribed limits of variation". We also recommend that the quantities offered for sale, wherever possible, should be guaranteed with prescribed limits of variation in suitable cases.

(G) DISPOSAL OF SCRAP

13.26. Under the present procedure, scrap arisings with various Government departments are not required to be declared to the Central Organisation for disposal and the departments concerned are responsible to arrange disposal of such arisings. Though there may be some likelihood of obtaining higher bids for disposal of scrap through a Central Agency, we feel that the expenditure incurred on custody and care-taking of such material would outweigh the possible gains, in view of the time taken for declaration of surplus to and disposal by a Central Agency. Further, there is little or no possibility of such scrap material being utilised by any other Government department; if Ordnance Factories for example are interested in the steel scrap arisings with the Railways, it is open to them to deal directly with the Railways. We consider, therefore, that the responsibility of the disposal of scrap and salvage materials should rest with the stockholding departments.

(H) NON-OFFICIAL DISPOSALS ADVISORY COUNCILS

13.27. In accordance with the policy announced in October, 1945, by the then Hon'ble Member for Supply for associating non-officials with the Disposals Organisation, three Advisory Committees were appointed in November, 1945—one Central Advisory Committee at

New Delhi consisting of ten members under the Chairmanship of the Director General of Disposals and two Regional Advisory Committees (one at Calcutta and the other at Bombay) consisting of nine members each under the Chairmanship of the respective Regional Commissioners of Disposals. These Committees functioned till about November, 1947. During the course of these two years, the Central Committee met twice and the Regional Committees four times each. By then, the policy and procedure for disposal was more or less standardised and the Advisory Committees were not revived. We are of the view that so long as the heavy Defence surpluses remain on hand—we have already recommended continuance of the Central Disposals Organisation till such time—the Government should avail of the experience of the commercial community in deciding the policy for the disposal of unwanted stores. There is, however, no need to establish special committees for this purpose; the services of the Central and Regional non-Official Purchase Advisory Councils, recommended in paragraph 4.8, could with advantage be utilised in formulating the policy and procedure for disposal as well.



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CHAPTER XIV

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS: ORGANISATIONAL SET-UP, PERSONNEL, POWERS, ETC.

14.1. Item (2) of the Terms of Reference reads as follows:

“To examine the organisation of the Central Purchasing Agency and to consider re-organisation, that may be necessary, including the extent of powers, provision of adequate and suitable personnel to man the organisation, scales of pay, service conditions, technical qualifications of the staff, etc., with a view to secure greater efficiency.”

Accordingly, we propose to deal here with the general question of the organisational set-up for the Central Purchasing Agency along with co-related issues like adequacy of personnel—both in number and quality, their service conditions, methods of recruitment, delegation of powers at various levels, as also the desirability of dispersal of purchase and disposal activities through regional offices. We consider that these administrative aspects have a very vital bearing on the general efficiency of the organisation as a whole. The problem of adequate and effective arrangements for progressing of supplies has already been discussed in Chapter X.

(A) ORGANISATIONAL SET-UP OF THE DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS

14.2. The Directorate General of Supplies and Disposals, under the Ministry of Works, Housing and Supply, is responsible for the purchase and inspection of stores required by Government departments as also for disposal of their surpluses. It has its Headquarters in Delhi and Regional Offices for supply and disposal in Calcutta, Bombay and Madras, besides a number of inspection units at various places in the country. The Government Test House, Alipore (Calcutta) is also under the Directorate General (S & D). The general set-up of the organisation is indicated in Appendix 42. The Director General who is the Head of the organisation is assisted by three Deputy Directors General—one for ‘Supplies’, another for ‘Inspection’ and the third for ‘Disposals’, who also assists on ‘Supply’ side. The work relating to administration and co-ordination of the entire organisation is in charge of a Director working under the Director General. At the Headquarters, there are four Directors for procurement of stores: three for inspection and two for disposal of surpluses—one of the latter also looks after the Statistical Section. In addition, there are four ‘cells’ under the Deputy Director General of Supplies—one for co-ordination of railway demands, another for looking after the interests of cottage and small-scale industries, the third for dealing with litigation and the fourth for cross-mandating of demands to purchasing agencies abroad and clearance of imported stores. In the regional supply and disposal offices, there is a Director

(Supplies and Disposals) in Bombay, another Director of Supplies (Textiles) in Bombay, a Director (Supplies & Disposals) in Calcutta and a Deputy Director (Supplies & Disposals) in Madras. The regional inspection offices in Calcutta, Bombay and Tatanagar are each under the charge of a Director, while those in Madras, Kanpur and Delhi are under Deputy Directors. The Government Test House, Alipore, is also under a Director.

(B) STRENGTH OF PERSONNEL

14.3. The value of purchases made annually by the Directorate General of Supplies and Disposals is of the order of Rs. 100 crores. During 1952-53, the organisation, on the procurement side, dealt with 13,832 indents comprising 75,145 items, issued 8,506 enquiries, received 68,459 tenders, placed 13,696 contracts (excluding orders under Rate/Running Contracts), received 8,48,103 and issued 5,67,073 letters—see Appendix 43. Fifty-five purchase officers and about 640 other personnel were employed on this work. It has been represented to us that one of the major causes for delays in supplies through the Directorate General (S & D) is the inadequacy of staff.

14.4. While our recommendation to increase the powers of direct purchase from Rs. 2,000 to Rs. 10,000 in the case of the three major indenting departments may reduce the load on the organisation to some extent, this decrease may well be offset in due course by our other recommendations, e.g., purchase of imported stores in India, abolition of departmental charges which may encourage State Governments and others to utilise the services of the organisation in an increasing manner. We find it difficult to visualize at this stage the final set-up of the organisation that would emerge when our recommendations are fully implemented. We recommend, therefore, that as soon as decisions are reached on this Report, a small departmental committee should be appointed to determine the strength of the staff required for the efficient running of the Central Purchase Organisation. We attach great importance to the early assessment of the requisite personnel at all levels and suggest that the aim should be to get the requisite staff in position by the 31st March, 1956.

14.5. We are informed that on the 1st of November, 1954, there were nearly 40,000 indent items awaiting disposal as against the average monthly rate of disposal of about 7,000 items. The strengthening of the staff, therefore cannot wait for the detailed assessment by the departmental committee and we feel that some immediate action is necessary. We recommend that as a special measure, a team comprising one Director and eight Deputy Directors with the necessary clerical staff should be placed at the disposal of the Director General (S & D) who should employ them to the best effect in clearing arrears and keeping the work up-to-date during the interim period. It would be an advantage to draw officers from major indenting departments, or Engineering Services of the Central and State Governments to fill up these posts.

(C) SCALES OF PAY

14.6. The schedule of existing scales of pay for various grades of officers employed in the Directorate General of Supplies and Disposals

is given in Appendix 44. A suggestion has been made that the current scales of pay are much lower than those during the pre-War days and that the scales may be raised appropriately with a view to attract persons of suitable calibre. We find that the present scales of pay are based on the recommendations of the Central Pay Commission and are generally in consonance with those in other Central Government departments recruiting personnel with equivalent qualifications. There is, therefore, no need to consider any revision of the existing scales of pay except for three changes recommended below:

- (i) At present, the Director General is paid Rs. 3,000 (fixed) if the incumbent is governed by pre-1931 Rules, otherwise Rs. 2,250. We have recommended later in this chapter that the selection for this post should not be confined to any particular service and the field may with advantage be widened to include persons with business experience; with a view to attract persons with long business experience, emoluments should be fixed suitably.
- (ii) There are at present two different grades for Assistant Directors, viz., Grade II at Rs. 325 to 590 and Grade I at Rs. 350 to 850. We do not see the necessity for two different grades for officers whose duties and functions are identical. We recommend, therefore, that the cadre of Assistant Directors, Grade II, should be abolished and merged with Grade I. We consider that it will not be possible to recruit suitably qualified men in the lower cadre, nor will that scale offer any inducement to persons promoted to this cadre.
- (iii) In order to attract persons with suitable qualifications to the Government Test House and to ensure their continuance in that organisation, their service conditions and pay scales should be made comparable to those prevalent in National Laboratories and other Research Institutions.

(D) NEED FOR PERMANENCY

14.7. The bulk of the personnel working in the Directorate General of Supplies and Disposals was recruited during the War on a temporary basis. It was only in 1947 that some posts were made permanent. We are informed that the position on the 15th of July, 1954, in regard to 338 sanctioned posts of gazetted officers was as follows:

(A) Number of posts sanctioned	...	...	338
Number of posts declared permanent	...	...	176
Balance	...	...	162
(B) Number of posts declared permanent	...	...	176
Number of posts filled on permanent basis	...	...	94
Balance	...	...	82
(C) Number of gazetted posts in the Department	...	...	338
Number of posts vacant	...	...	11
Balance	...	...	327

Of the 327 officers in position, 257 are holding permanent posts—gazetted or non-gazetted—in the department or outside. The balance 70 are purely temporary; 32 of them have had over ten years' service in the department.

14.8. Eight years after the cessation of hostilities, fifty per cent. of the posts in the Directorate General (S & D) continue to be on a temporary basis. We consider that such a large proportion of temporary officers cannot but be regarded as unsatisfactory; the best cannot be expected from persons who are retained on temporary basis for long and indefinite duration. Considerable risk is involved in allowing temporary hands to deal with purchase, inspection and disposal of stores of large values. There is, therefore, an immediate need for a quick assessment of the number of posts required on permanent basis; we have already recommended the appointment of a departmental committee for this purpose. On the basis of the numbers recommended by the Committee, individual officers considered fit to be retained in the organisation should be confirmed. In any event, the existing permanent posts should be filled in immediately. If the number of suitable officers available in the organisation is less than the number of posts sanctioned or required, recruitment from other sources should be made without delay.

14.9. We have recommended earlier in this Report that disposal activities should be de-centralised when the bulk of Defence surpluses are disposed of—see paragraph 13.4. This would mean that appointments in the Disposals Wing cannot be declared permanent; in fact, only a small proportion of posts on the 'Disposals' side is at present permanent. As such a step would, however, not be conducive to efficiency, we suggest that the appointments in the Disposals Wing should also be declared permanent to the extent they may be required to deal with normal peace-time surpluses. After de-centralisation of disposal activities, the stockholding departments would need men experienced in this type of work and the permanent incumbents could with advantage be transferred to them. Meanwhile, there should be a common cadre for supply and disposal work as recommended earlier—see paragraph 13.6. This will reduce the high proportion of temporary staff required for the disposal of current heavy surpluses.

(E) RECRUITMENT AND CALIBRE OF PERSONNEL

14.10. **Past Recruitment.**—At the time of its inception in 1922, the personnel for the Indian Stores Department was drawn from other departments like the Railways, P.W.D., and the Army. Vacancies in the gazetted ranks occurring thereafter were filled by promotions in consultation with the Public Service Commission, by direct recruitment through the Commission, or through the High Commissioner for India in London. During World War II, the activities of the Department expanded manifold and large-scale recruitment became inevitable. To meet the emergency, experienced officers were borrowed from other Government departments and recruitment was also made from industrial and commercial establishments. After the cessation of hostilities the work of the department shrank considerably and officers with lien in their parent departments or commercial houses, were allowed to return. Even so, the personnel left-over was in

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excess of the requirements and a departmental committee was appointed to assess the merit of each officer. A further review was undertaken in 1948 in consultation with the Union Public Service Commission, as a result of which certain officers were made permanent or quasi-permanent. With the exception of eleven Assistant Directors recruited through the Union Public Service Commission in 1953, there has been no recruitment during the last eight years.

14.11. Present Calibre.—The majority of persons now working in the Directorate General of Supplies & Disposals were recruited during the War. We understand that a number of the pre-war officers, particularly in the senior grades, have since left the department; so much so that on the 'Supply' as also on the 'Disposal' side there is no officer in the higher grades at present with more than 15 years of service, i.e., they are all war-time recruits. At the same time, over 75 per cent. of the officers in Assistant Director's rank (the lowest in the gazetted rank) are over forty years old. This uneven distribution of officers in the same age groups amongst the various grades leads to frustration of those in the lower grades with consequential deterioration in efficiency. Although we have not assessed the merits of individual officers, we have formed the general impression that a good many of them are not of the required calibre.

14.12. We are of the opinion that adequate measures should be taken immediately with a view to improve the quality of the personnel in the Directorate General (S&D) to enable the organisation to fulfil satisfactorily the responsibilities envisaged in this Report. In this process, some individual hardship is bound to be caused. It may be pointed out that in the past accelerated promotion in certain cases has meant that pay and prospects in this organisation have been even better than those for similar age groups in the superior services under the Government of India.

14.13. Immediate Measures.—Our proposals are in two parts: *Immediate* and *Long-term*. As it is urgently necessary to strengthen the organisation effectively before the Second Five-Year Plan, we recommend that the following measures be adopted in the immediate future:—

- (i) Arrangements should be made to recruit immediately experienced officers from major indenting departments and other services to fill up a substantial number of posts (not exceeding 20 per cent. of the sanctioned strength of Assistant Directors and above in the Supply, Inspection and Disposal Wings in replacement of the existing personnel). On a rough assessment of the present strength, this would mean that one Deputy Director General, three Directors, seven Deputy Directors and nineteen Assistant Directors (including Inspecting Officers) should be so filled up. This will be, in addition to other proposals recommended later in this Report, for filling up the posts of Administrative Officer, Deputy Director General (Progress) as well as Officers for the Special Team by drawing on other departments.

With a view to attract suitable personnel from indenting departments, adequate emoluments should be offered;

in our view a deputation allowance of 20 per cent. or a starting salary of the minimum of the grade to which the officer is appointed, whichever is higher, would be reasonable. The appointments to these reserved posts should be for a minimum period of three years at a time.

- (ii) If the requisite number of personnel referred to in (i) cannot be recruited within a reasonably short period (we would again emphasise the urgency), officers should be drawn from the Engineering Services of the Central and State Governments. An *ad hoc* Selection Committee should be appointed for the purpose.
- (iii) Arrangements should also be made to recruit on contract basis a certain number of officers at intermediate levels through the Union Public Service Commission; their salaries may be fixed, wherever necessary, above the minimum of the scales for the posts concerned to attract persons with commercial experience.
- (iv) The Manuals of Procedure for 'Purchase', 'Disposal' and 'Inspection', recommended in paragraph 9.43, should be prepared immediately to consolidate in a ready form the hundreds of rules and regulations spread over numerous office orders. For this purpose, a special officer should be appointed.
- (v) Short-term 'Refresher Courses' should be arranged for the existing gazetted staff followed by a test.
- (vi) Officers already in service should be required to pass departmental examinations before confirmation, or crossing efficiency bar, or promotion to higher ranks.
- (vii) The Special Team recommended in paragraph 14.5, should be appointed to clear the heavy arrears; concurrently, arrangements should also be made to ensure that the work remains up-to-date.
- (viii) A separate Progress Wing should be created (as recommended in paragraph 10.29) to ensure timely supplies.

14.14. **Long-term Measures.**—As regards the long-term measures, our recommendations are as follows:—

- (i) Frequent changes in the Head of the Central Purchase Organisation are not conducive to efficiency; the terms and conditions of the post should be so fixed that the individual appointed to the post stays in the job for about five years. The person selected should be of outstanding ability, proved integrity and mature experience, who would command the confidence of indentors, as well as the commercial community. The selection need not be confined to any particular service and the field may with advantage be widened to include persons with business experience.
- (ii) Likewise, in view of the responsible nature of the duties of the Deputy Directors General, it is necessary to widen the scope of selection for these posts as well by extending it to include suitable officers from other departments, or even persons outside the services.

- (iii) Twenty per cent of the sanctioned gazetted posts in different grades in the organisation should be reserved for officers from the major indenting departments; such officers, with their knowledge and experience of stores being purchased, will lend strength to the Central Purchase Organisation.
- (iv) It will be an advantage if the Central Purchase Organisation drafts on a tenure basis, some officers at the level of Assistant Directors from the 'Industrial Management Service' when it is constituted.
- (v) The size of the Central Purchase Organisation and its importance justify the formation of two Central Services which may be called "Central Supply Service (Class I)" and "Central Stores Inspection Service (Class I)". There should be common cadres for officers employed in the India Store Department, London, India Supply Mission, Washington, and the Directorate General (S&D), India. All posts up to and including Directors should be borne on these cadres. The staff of the Government Test House (Alipore) should continue to remain separate as at present.
- (vi) Recruitment to gazetted posts except to those in the Administration Sections should be made through open competitive examinations to be held by the Union Public Service Commission. It may be found desirable to recruit candidates with engineering qualifications from among those who have qualified in one or the other of the competitive examinations for the Superior Engineering Services already being held by the Commission. The balance of the requirements may be recruited by a separate competitive examination—also to be held by the Union Public Service Commission—to which only candidates with prescribed technical (other than engineering) or scientific qualifications should be admitted, e.g., degree in technology, chemical engineering, applied physics, etc.
- (vii) Candidates selected through competition for appointment to gazetted posts in the Central Purchase Organisation should be required to undergo a probation for two years, during which period they should be given training in commercial houses, industrial establishments, testing laboratories, indentors' depots and the Central Purchase Organisation. The training should cover a study of the system and procedure of purchase, provisions of contract law and financial regulations, system of store-keeping followed by indentors, end-use of the stores purchased, and the like. Prior to confirmation, probationers should be required to pass a departmental examination.
- (viii) Officers in service should undergo periodically 'Refresher Courses' and be required to undergo tests before crossing the efficiency bar, or promotion to posts up to and including the Director's level.

(F) ADMINISTRATION, CO-ORDINATION AND STATISTICS PERSONNEL

14.15. Administration.—As stated earlier, the Director (Administration & Co-ordination) works directly under the Director General and looks after the work relating to 'administration and co-ordination' of the entire organisation. We understand that it has not been possible for the Director to function effectively on the 'Co-ordination' side as his time is occupied mostly by the heavy administrative work. It is also possible that placing the officer on the pattern of other posts in the organisation has not been conducive to the detached outlook so essential in deciding issues relating to 'administration' and 'co-ordination.' Considering the size of the organisation, we feel that it is necessary to have an 'Administrative Officer' who will devote his whole time to administrative matters and relieve the Director General of ordinary administrative work. The change of designation from the 'Director (Administration and Co-ordination)' to the 'Administrative Officer' would also afford greater flexibility in respect of selection and more independent examination of administrative problems arising from various levels in the Directorate General (S&D). The Administrative Officer should be selected from the Central pool of Secretariat Service Officers, i.e., from among officers who constitute the cadre of Deputy Secretaries and above; the other gazetted posts under the Administrative Officer should form part of the Central Secretariat Service.

14.16. Co-ordination.—The work relating to 'co-ordination' is at present attended to by two Deputy Directors (one for 'Supplies' and the other for 'Disposals') under the nominal supervision of the Director (Administration and Co-ordination) who has to concentrate more on 'administration'. In addition to his normal duties, one of the Deputy Directors also looks after registration of suppliers. These Deputy Directors are required to keep themselves up-to-date in regard to rules of procedure and matters of policy. It is also their function to examine, in consultation with the Directorates concerned, the general working of the organisation and to put up to the Director General proposals for changes in procedure regarding supply, inspection and disposal. We have the impression that matters relating to 'co-ordination' have not always received adequate attention. In our opinion, there should be a full-time Director for looking after the work relating to 'co-ordination' including registration and performance of suppliers (subjects of vital importance in themselves); he should be assisted by an adequate number of Deputy Directors. The four 'cells' referred to in paragraph 14.2 which are at present working under the Deputy Director General (Supplies), should be placed under the Director (Co-ordination). With the separation of 'co-ordination' from 'administration', the posts in the Co-ordination Branch should no longer form part of the Central Secretariat Service. The choice for the post of Director of Co-ordination and his deputies should be from a wider field which may include the Central Supply Service recommended earlier, as well as other Central Services, Class I.

14.17. Statistics.—As regards 'statistics', we consider that this should also form a part of 'co-ordination' activities and be merged in the Co-ordination Wing under the charge of a Deputy Director working under the guidance of the Director (Co-ordination). In

our opinion, the duties of the personnel required for maintaining 'statistics' are of a specialised nature. As such, it will be preferable to draw upon the Central Statistical Organisation of the Government of India for the requisite supervisory personnel.

(G) POWERS OF PURCHASE AND DISPOSAL

14.18. Purchase cases in the Supplies Wing may be classified into four broad categories, viz., cases—

- (a) which can be decided by a purchase officer within the powers delegated to him;
- (b) where a purchase officer has to obtain the approval of the next higher officer or officers senior to the latter;
- (c) where concurrence of the Ministry of Finance is necessary; and
- (d) where concurrence of the Ministry of Works, Housing and Supply is necessary.

In regard to 2,567 indents dealt with in the Directorate General of Supplies and Disposals during the months of March, August and November, 1952, decisions for placing contracts were taken at various level as follows:—

Assistant Directors	990	(38.6%)	146 cases
Deputy Directors	439	(17.0%)	(5.7%) were
Directors	538	(21.0%)	decided with the
Dy. Director General	355	(13.8%)	concurrence of
Director General	76	(3.0%)	the Ministry
Ministry of Supply	169	(6.6%)	of Finance.

These figures represent the number of cases dealt with. The percentages will be materially different if the cases are tabulated by values as large-valued tenders are decided by senior officers.

14.19. We have noticed that all purchase proposals, irrespective of value, are initiated by a purchase officer at the lowest level (i.e., the Assistant Director of Supplies concerned) and are thereafter referred to the competent authority for final decision through the chain of officers in between, viz., Deputy Director, Director, Deputy Director General, Director General, or the Ministry of Works, Housing and Supply, as the case may be, depending upon the value or the nature of purchase. Other links in the chain sometimes are the Inspection Wing, the Ministry of Finance, the Ministry of Law and the Development Wing of the Ministry of Commerce & Industry. Occasionally, the indenting department has also to be brought into the picture. Thus, any important case has normally to pass through four or five officers in the Supplies Wing alone, while reference to the Inspection Wing or to the Ministry of Finance adds

another two or four to the number. Where the approval of the Ministry of Works, Housing and Supply is attracted, the case has to pass in all through nearly a dozen officers. In this process, it takes more than a month to decide an important case after the tenders have been examined and purchase proposals initiated by the Assistant Director.

14.20. In our view, decisions in purchase cases can be accelerated by the following changes in the existing procedure:—

- (1) Not more than two purchase officers should ordinarily deal with a purchase case; and
- (2) there should be wider delegation of powers to purchase officers at various levels.

In regard to (1), we have illustrated in Appendix 45 the manner in which purchase cases are now processed. We feel that ordinarily there should be no need to interpose another link or links between the purchase officer who initiates the proposal and the authority competent to decide it. For instance, a case falling within the purchase powers of a Director need not be routed by the Assistant Director through the Deputy Director. Similarly, proposals within the powers of the Deputy Director General could be submitted to him by the Deputy Director without bringing in the Director. In the same Appendix, we have indicated the manner in which this recommendation could be worked. Under this arrangement, officers at the level of Deputy Directors, Directors, and Deputy Directors General, will have to deal with 30 to 50 per cent cases less and the relief thus afforded should enable them to finalise the cases more expeditiously and also to find the time for effective supervision. The Assistant Director would, however, continue to initiate all purchase proposals as at present. This is necessary to ensure proper co-ordination in purchases of similar types of stores. There will be no relief to this category of officers. We consider that the charge of Assistant Directors should be reduced by increasing their number.

In regard to some stores, there may considerable advantage in having a Deputy Director as the base officer instead of an Assistant Director.

As regards the proposals coming from regional offices, the present practice is to route such cases through the Co-ordination Wing to the Deputy Director General or the Director General. We feel that this procedure should be discontinued and that such matters should be dealt with directly by the Deputy Director General or the Director General as the case may be.

14.21. We have carefully examined the schedule of existing powers and recommend enhancement of powers at various levels as tabulated hereunder. To complete this schedule of enhanced powers, we should mention here that, as recommended earlier in this Report, the Director General in consultation with the Purchase and Development Board should exercise full powers on all other cases of purchase and disposal. We feel that the enhancement of powers now recommended will considerably accelerate decisions in the Central Purchase Organisation.

TABLE OF POWERS

I. PURCHASE

Particulars	Present powers	Powers recommended
1 General purchase powers subject to observance of detailed rules laid down :	(i) Assistant Director (ii) Deputy Director (iii) Director (iv) Dy. Director General (v) Director General	(i) Assistant Director (ii) Deputy Director (iii) Director (iv) Dy. Director General (v) Director General
2 Purchase of 'proprietary' articles by single tender:	(i) Deputy Director (ii) Director (iii) Dy. Director General (iv) Director General	(i) Deputy Director (ii) Director (iii) Dy. Director General (iv) Director General
3 Negotiated purchases or purchases where competition is lacking :	(i) Director (ii) Dy. Director General (iii) Director General	(i) Director (ii) Dy. Director General (iii) Director General

Rs. 25,000
 Rs. 1 lakh.
 Rs. 2 lakhs.
 Rs. 12 lakhs.
 Rs. 50 lakhs.
 Rs. 25,000
 (a) Rs. 50,000
 (b) Rs. 1 lakh in consultation with Finance for Regional Offices.
 Rs. 1 lakh.
 (a) Rs. 10 lakhs
 (b) Rs. 50 lakhs in consultation with Finance.
 Rs. 50,000 in consultation with Finance.
 Rs. 5 lakhs in consultation with Finance.
 Rs. 50 lakhs in consultation with Finance.

- 4 Placing of contracts with 'unregistered' firms : Purchase Officer concerned but not below the rank of a Director—Director's powers being limited to contracts up to Rs. 5,000 in value.
- (i) Deputy Director . Rs. 5,000
(ii) Director . Rs. 25,000
(iii) Dy. Director General . Rs. 12 lakhs.
(iv) Director General . Rs. 50 lakhs.
- 5 Waiving of Liquidated Damages for delays in supply :
- (i) Dy. Director General . Loss up to Rs. 100
(ii) Director General . Loss up to Rs. 1,000
- (i) Dy. Director General . Loss up to Rs. 100
(ii) Director General . (a) Loss upto Rs. 1,000.
(b) Other cases in consultation with Finance.
- (b) Cases where higher prices have been paid for earlier delivery. Purchase Officer concerned with the approval of the next senior officer—not below the rank of the Dy. Director General. This should also apply to cases involving inconvenience to consignees or other unusual features.
- (c) Cases other than those mentioned at (a) and (b) above.
- Purchase Officer concerned with following limits :—
(i) Asstt. Director . damages upto Rs. 1,000
(ii) Deputy Director . damages upto Rs. 2,000
(iii) Director . damages upto Rs. 5,000
- 6 Purchase at rates higher than the last purchase price :
- (a) Where the increase is less than 10 per cent. Purchase Officer concerned.

Particulars	Present powers	Powers recommended
(b) Where the increase is between 10 and 25 per cent.—		
(i) For contracts below Rs. 5 lakhs in value.	Purchase Officer concerned with the approval of the next senior officer. Deputy Director General in consultation with Finance. Director General in consultation with Finance. Ministry of Works, Housing and Supply in consultation with Finance. Ministry of Works, Housing and Supply in consultation with Finance.	Purchase Officer concerned in consultation with Finance.
(ii) For contracts between Rs. 5 lakhs and Rs. 10 lakhs in value.		
(iii) For contracts between Rs. 10 lakhs and Rs. 25 lakhs in value.		
(iv) For contracts above Rs. 25 lakhs in value.		
(c) Where the increase exceeds 25 per cent.		
7 Passing over of lower offers :	(a) For purchases up to Rs. 5 lakhs in value—Purchase Officer concerned with the approval of the next senior officer.	(a) Purchase Officer concerned where lower offers are ignored on the ground of major variation in specification ; in other cases, Purchase Officer concerned with the approval of the next senior officer. In regional Offices, for cases falling under the powers of the Heads of Offices, in consultation with Finance.
	(b) For purchases between Rs. 5 lakhs and Rs. 25 lakhs in value—Director General in consultation with Finance.	(b) Director General in consultation with Finance up to Rs. 50 lakhs.
8 Price preference to indigenous products and products of Cottage and Small-scale Industries :	(i) For tendents up to Rs. 10 lakhs in value—Dy. Director General (Supplies) in consultation with Finance. (ii) For tendents between Rs. 10 lakhs and Rs. 25 lakhs in value—Director General in consultation with Finance.	Purchase Officer concerned in consultation with Finance.
9 Concluding Rate Contracts for items not covered by Rate Contracts previously :	Purchase Officer concerned but not below the rank of the Deputy Director General	Purchase Officer concerned but not below the rank of a Director.

- 10 Claims for compensation : Ministry of Works, Housing and Supply Contracts up to Rs. 50 lakhs in value—Director General in consultation with Finance.
- 11 Filing of appeals against Ministry of Works, Housing and Supply. Contracts up to Rs. 50 lakhs in value—Director General in consultation with Ministries of Law and Finance.

II. DISPOSALS

Particulars	Present powers	Powers recommended
12 General disposal powers subject to observance of detailed rules laid down :		
(i) Assistant Director—Rs. 25,000 in consultation with Finance.	(i) Assistant Director—Rs. 25,000 in consultation with Finance.	
(ii) Deputy Director—Rs. 50,000 in consultation with Finance.	(ii) Deputy Director—Rs. 50,000 in consultation with Finance.	
(iii) Director—Rs. 1 lakh in consultation with Finance.	(iii) Director—Rs. 2 lakhs in consultation with Finance.	
(iv) Deputy Director General—Rs. 5 lakhs in consultation with Finance.	(iv) Deputy Director General—Rs. 10 lakhs in consultation with Finance.	
(v) Director General—Cases above Rs. 5 lakhs in value, in consultation with Finance.	(v) Director General—Cases above Rs. 10 lakhs in value, in consultation with Finance.	

(H) REGIONAL PURCHASE OFFICES

14.22. Indenting departments have represented to us, and the non-official evidence also indicates, that more regional offices with wider scope would ensure better service from the Central Purchase Organisation. This principle was recognised as early as 1924-25 by the late Indian Stores Department which opened its regional purchase offices at the three main business centres, viz., Calcutta, Bombay and Karachi. During World War II as the purchases increased, additional regional offices were opened at Kanpur, Madras and Lahore. The Kanpur and Lahore offices were, however, closed in 1947 and the regional offices now continue only at Calcutta and Bombay with a somewhat smaller office at Madras.

14.23. The analysis of purchases made by the Directorate General of Supplies & Disposals during the year 1952-53 shows that the value of orders placed by the three regional offices was only 16 per cent. of the total purchases made—see Appendix 46. By number, the orders placed were 7 per cent. and by indent items 19 per cent. of the total. It is clear from these statistics that there is over-centralisation of purchase work at the Headquarters Office in Delhi and this has evidently resulted in delays. The remedy lies in increasing the number of regional purchase offices and widening their scope. This would also provide for closer collaboration between the purchaser, the indenter and to a large extent the business community as well. The back references required to be made to indenting departments for clarification of issues take a considerable time and result in delays in finalising purchase proposals and consequently in supply of stores. In most cases, the suppliers being away from Delhi, settlement of details gets held up and effective progressing of deliveries is also rendered difficult. We consider that more frequent opportunities for consultation between indentors, purchasers and suppliers will result in acceleration of deliveries and promote better understanding amongst them regarding each other's difficulties. Further, the regional purchase offices will be in a better position to encourage purchases from cottage and small-scale industries. It has also been urged that the proximity of purchase offices might encourage adjoining State Governments to utilise the services of the Central Purchase Organisation to a larger extent. In view of our recommendation for abolition of the departmental charges levied by the Central Purchase Organisation, this argument will have considerable force. We, therefore, recommend that, to begin with, an additional regional purchase office should be opened at Kanpur. Opening of further regional offices in other centres would depend upon the volume of business that may be offered to the Central Purchase Organisation by the State Governments and Industrial, River Valley and other Projects.

14.24. The present division of work between the Headquarters and the Regional Officers of the Director General (S & D) is on the basis of stores, some items being reserved for purchase from the Headquarters and the rest being allowed to be dealt with by the regional offices upto their powers of purchase; the powers of purchase of the Calcutta and Bombay offices are up to Rs. 2 lakhs, and that of the Madras office upto Rs. 1 lakh. Apart from this, Jute, Cotton Textiles

and Coir are specially allotted to the offices at Calcutta, Bombay and Madras respectively. We agree that the stores of regional importance should be allotted to the respective regional offices. We recommend that there should be a greater transference of purchase activity to the regional offices. The list of items to be reserved for purchase from the Headquarters should be kept to the minimum and this list should be reviewed periodically on experience gained. Our view is that the present 'Central List' includes too many items and should, therefore, be shortened. In revising this list, the main consideration should be:

- (a) the possibility of bulking the demands from various indentors, and
- (b) the likely value of orders against individual indents.

In addition to this, there should be another list of items which are normally covered by Rate/Running Contracts or by Price Agreements which should also be arranged centrally. The remaining items, irrespective of value, should be dealt with at the regional offices except that, where an order is in excess of the powers of the Head of the regional office, the case should be referred to the Headquarters before taking the final decision. Except for the items reserved for the office at the Headquarters, or commodities specifically allotted to a particular regional office, indents for all other stores should be allowed to be placed on the regional purchase offices by the indentors within the regional jurisdiction. For example, most of the indents emanating from the Director General of Ordnance Factories, or the Chief Controller of Telegraph Stores, could with advantage be placed with the Director of Supplies and Disposals, Calcutta, and similarly, the Controllers of Stores, Western and Central Railways, could place most of their demands with the Director of Supplies and Disposals, Bombay.

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14.25. We are informed that the railway indents against emergent demands are at present placed with the regional purchase offices, irrespective of the nature and value of the store. We suggest that, in the interest of expeditious supplies against emergent demands, this facility should be extended to other indentors as well.

14.26. With the opening of more branch offices and with the greater transference of purchase activity to regional offices, the business to be transacted through these offices will be substantially increased. These regional offices will have to tap the market on an 'all-India' basis more frequently and contracts may have to be placed in a number of cases on suppliers located outside the regional jurisdiction. The present practice with the regional offices is to restrict the 'limited tender' enquiries to the suppliers within the region. Where, however, an advertisement is issued for a supply which results in quotations being received from outside the jurisdiction of the region and where a decision is taken to place the order on a supplier outside the region, the file is transferred to the regional purchase office of the latter region for placing the contract and taking 'follow-up' action. This practice of transferring files from one regional office to another, depending on the location of the suppliers, should be discontinued.

14.27. In the light of these recommendations, it may be necessary to consider the question of re-distribution of staff between the Headquarters and the Regional Offices on account of the proposed change in the type and volume of work. In paragraph 14.4 we have recommended setting up of a departmental committee for assessing the strength of personnel required for the Central Purchase Organisation and we suggest that this question should be examined further by that committee.

(I) COMMERCIAL INTELLIGENCE

14.28. We understand that a number of Economic Journals and Commercial Magazines are received in the Directorate General of Supplies and Disposals. We find, however, that the fullest use of the information available is not being made in the day-to-day purchases, with the result that recent developments in the trade and industry are not always reflected in the purchases made. We consider that with judicious use of the commercial intelligence available through journals and otherwise, the Central Purchase Organisation could more effectively fulfil its proper role of stimulating development of indigenous industries through Government purchases. While the non-official Advisory Councils recommended elsewhere in the Report will render useful assistance in this regard, they will not be able to keep the Central Purchase Organisation fully posted with the day-to-day developments as they would meet only periodically.

14.29. **Commercial Intelligence Bureau.**—We recommend, therefore, that a Commercial Intelligence Bureau under the charge of a person with at least five years of commercial experience should be attached to the Central Purchase Organisation. This bureau should study the commercial literature and keep itself fully informed of the latest developments in industry, trade and commerce with a view to bring promptly to the notice of appropriate purchase officers, in the form of bulletins or newspaper cuttings, such significant developments as would assist the Central Purchase Organisation in its day-to-day work.

14.30. **Bi-weekly Bulletin.**—The services of the proposed Commercial Intelligence Bureau could also be utilised with advantage to undertake publication of an independent bi-weekly 'Commercial Bulletin' on behalf of the Central Purchase Organisation. Tender notices, notices for auctions, statistical information regarding purchases and sales and other information of public interest originating from the Directorate General of Supplies and Disposals are at present published in the Indian Trade Journal—a weekly priced publication issued by the Director General of Commercial Intelligence and Statistics (Ministry of Commerce and Industry) from Calcutta. It takes anything from four to eleven days from the date of issue before tender notices are published in the Indian Trade Journal. A further period of two to three days is lost before the Journal reaches suppliers located at outstations. This time-lag which in turn affects supplies (in urgent cases, it also reduces the period available to Trade for preparing their tenders) is of no inconsiderable consequence to indenting departments as well as suppliers. We recommend, therefore, that the Directorate General (S & D) should have its own

bi-weekly 'Commercial Bulletin' for prompt publication of requirements of stores as well as other information of commercial interest.

14.31. Apart from tender notices, the Indian Trade Journal deals with several other subjects (e.g., Tariff, Customs and other Government orders affecting Trade; Indian Standard Specifications; Industrial Fairs and Exhibitions; Import and Export Trade prospects; Commodity Prices and Trade movements; Weather and Crop Reports; etc.) and, therefore, its utility, or circulation, in our opinion, is not likely to be affected by the Directorate General (S&D) withdrawing its contribution to the Journal. There is, however, no objection if the information as at present continues to appear in the Indian Trade Journal in addition to the independent 'Commercial Bulletin' proposed for the Directorate General (S&D).

14.32. We have recommended in paragraph 5.20 that the Central Purchase Organisation should assist trade by publicising individual demands immediately on receipt of indents to forewarn the prospective suppliers; this Bulletin will serve as a more effective medium for such publications as well. In addition, this official publication of the Directorate General (S&D) could be utilised for establishing closer contact with the trading and industrial community in the country through contributions made by purchase, inspection and disposal personnel on the highlights of procedure and policy of common interest about which suppliers these days know very little. The Bulletin could be used with advantage also by other Government Purchasing Agencies for advertising their demands, etc. We consider that the circulation of the proposed bi-weekly 'Commercial Bulletin' will be large enough to warrant a separate publication and at the same time be self-supporting; a large number of registered suppliers and Trade and Industrial Associations would naturally be interested in subscribing to such a publication. We further recommend that the copies of the proposed Bulletin should be mailed free of charge to the registered suppliers in the cottage and small-scale industries' sector, as well as to the Directors of Industries of State Governments, with a view to attract more purchases of the products of cottage and small-scale industries.

(J) COMPLAINTS

14.33. There are at present no special arrangements with the Directorate General of Supplies and Disposals for watching the disposal of complaints. It is very necessary that all complaints (whether individual or general, major or minor, from indenting departments or suppliers or connected interests) should receive prompt attention in order to reassure them that the purchase organisation is alive to the need for looking into their grievances. While the major complaints may continue to be dealt with personally by the Director General (S&D) as at present, the special Progress Wing recommended earlier in this Report—see paragraph 10.29—could well be utilised for watching the disposal of other complaints. For this purpose, the Deputy Director General (Progress) should be assisted by a special Deputy Director drawn from outside

the Central Purchase Organisation. With a view to ensure effective working of this system, we suggest that the indentors should be advised that, if any complaints made by them to the purchase organisation are not attended to within a reasonable time, they could bring such complaints to the notice of the Deputy Director General (Progress) for his personal attention. Suppliers could also be advised similarly.

(K) INDENTORS' LIAISON OFFICERS

14.34. There are at present three Liaison Agencies, representing Defence, Posts and Telegraphs and Railways respectively, working side by side with the Directorate General of Supplies and Disposals. The main functions of these agencies are facilitating proper indenting and expeditious procurement of stores required to be obtained through the Central Purchase Organisation. Through these agencies, 'liaison' is established with individual indentors and has generally proved useful to the Central Purchase Organisation as well as the indentors in getting quick and expeditious disposal of queries arising in purchase matters. This system has also helped to progress supplies.

14.35. We have recommended earlier the establishment of a Purchase and Development Board which will have as its members high officials of the main indenting Ministries to act as 'top-level' liaison between the indenting departments and the Central Purchase Organisation. We consider, however, that the question of continuance of the present Liaison Agencies with the Directorate General (S&D), which are primarily intended for closer co-operation between the indenter and the purchaser in the day-to-day purchases, may be examined by the Ministries concerned in view of the expansion of activities with the regional purchase offices and the improvement in the supply position expected as a result of the functioning of the Purchase and Development Board.

(L) OFFICE ACCOMMODATION

14.36. The Headquarters Office of the Directorate General of Supplies and Disposals is located in hutments built during the War in the Shahjahan Road area in New Delhi. In our opinion, these premises are totally unsuitable for the Central Purchase Organisation which spends nearly a quarter of the Central Revenues. The present accommodation is of a temporary construction and the hutments are widely dispersed—conditions not conducive to adequate co-ordination, control, discipline and general efficiency. We recommend, therefore, that immediate steps should be taken to find suitable and compact accommodation for the Organisation in or around the Central Secretariat; if necessary, a new building should be constructed for the Office of the Directorate General of Supplies and Disposals.

CHAPTER XV

CONCLUSION AND SUMMARY OF RECOMMENDATIONS

15. On the basis of our findings, we have made several recommendations in this Report with a view to improve the efficiency of the Central Purchase Organisation and to enable it to act as an effective instrument for development of indigenous industries. These recommendations fall into interlinked groups and if any one recommendation from such a group is singled out for implementation to the exclusion of others, we fear it may upset the balance that we have attempted to achieve. We might also mention that, although these recommendations have been made with reference to the working of the Central Purchase Organisation, they are of general application and could with equal advantage be adopted by other Government purchase agencies; this would secure the much desired uniformity in Government purchase procedure. A summary of our major recommendations is set out below:

(1) The existing Central Purchase Organisation (C.P.O.), i.e., the Directorate General of Supplies, should continue. For the present, *status quo* should generally be maintained between centralised purchases and direct purchases by indenting departments. Purchases of specialised stores should be progressively transferred to the C.P.O., as it becomes effectively equipped to handle larger purchases. (Paragraph 3.3).

(2) Purchases for industrial and other undertakings owned by the Central Government should be made through the C.P.O. subject to exceptions to be agreed upon. (Paragraph 3.4).

(3) State Governments, Port Trusts and larger Municipal Corporations should be persuaded to make their purchases of imported stores through the C.P.O. (Paragraph 3.5).

(4) The Railways, the Posts and Telegraphs and the Defence Departments should be authorised to make direct purchases up to the enhanced value of Rs. 10,000 in each case. (Paragraph 3.6).

(5) Indenting departments should have the authority to make direct purchases in emergencies. (Paragraph 3.6).

(6) Direct purchases may be made by indenting departments in the case of arms and ammunition, or where intervention/assistance of, or negotiation with, a foreign Government is necessary. (Paragraph 3.6).

(7) In respect of imported stores proposed to be manufactured indigenously with the technical assistance of foreign manufacturers or consultants, departments may make direct purchases. (Paragraph 3.6).

(8) During the construction period, industrial and river valley projects may make direct purchases subject to certain conditions; for

other major projects, direct purchases may be authorised in suitable cases. (Paragraph 3.7).

(9) Indenting departments may be allowed to enter into 'construction' contracts permitting procurement of stores by the contractors concerned; wherever possible, it should be prescribed that contractors should use indigenous stores. (Paragraph 3.8).

(10) Indenting departments should arrange purchases directly of the controlled categories of iron and steel. (Paragraph 3.9).

(11) A high-powered Purchase and Development Board should be established to control and co-ordinate Government's purchase activities with particular reference to development of industries. (Paragraphs 4.2 to 4.7).

(12) A non-official Purchase Advisory Council should be established to advise the Government on procurement policy and procedure; non-official Purchase Advisory Committees should also be established to advise the regional offices of the C.P.O. (Paragraphs 4.8 to 4.10).

(13) The Purchase and Development Board should be kept informed of the direct purchases of imported stores made by Defence, Railways and other Departments, Industrial and River Valley Projects, Corporate Bodies and State Governments. (Paragraphs 5.2 to 5.5).

(14) A special purchase procedure should be evolved to facilitate the development of manufacture in the country of stores at present imported. (Paragraph 5.6).

(15) Government's purchase policy should permit generally a price preference up to 15 per cent. for indigenous products over imported stores. A higher price preference up to 25 per cent. or even more, may also be allowed in special cases. (Paragraph 5.9).

(16) In purchasing imported stores due weightage should be given to offers with a larger proportion of indigenous components. (Paragraph 5.10).

(17) Certain classes of stores should be reserved for purchase only from cottage and small-scale industries. (Paragraph 5.11).

(18) For the products of cottage and small-scale industries (as defined in paragraph 5.16), there should be a price preference up to 25 per cent. over those of large-scale industries. A higher price preference may also be considered on merits. (Paragraph 5.11).

(19) Cottage industry products should be purchased in preference to products of small-scale industries; a price preference of 2 per cent. should be given to offers from co-operative societies. (Paragraph 5.11).

(20) Consistent with requirements of safety, indenting departments should permit relaxation in standards having regard to technical limitations in indigenous production; even greater relaxation may be necessary for hand-made products. (Paragraphs 5.13 to 5.15).

(21) Permanent exhibitions should be opened in large cities to display samples, drawings, models, etc., of the stores required by the

various Government departments, which are at present being imported. (Paragraph 5.19).

(22) The C.P.O. should publish annually a directory of Government purchases. (Paragraph 5.20).

(23) The 'Purchase' and 'Development' Organisations of the Government of India should be placed under a common Ministry. (Paragraph 5.22).

(24) Except in the case of certain specialised Defence stores or where purchases are made on Government-to-Government basis, all purchases should be made in India. Contracts should be placed for payment as far as possible in Indian currency. (Paragraph 6.4).

(25) Contracts for imported stores should be placed with agents in India of foreign manufacturers or India-based establishments. Exceptions may be made in certain cases in the initial stages. (Paragraph 6.7).

(26) Stores should not be imported just because the costs are paid from 'foreign aid' funds. While formulating schemes under 'foreign aid', the Project Authorities should ascertain well in advance the availability of indigenous equipment with a view to ensure maximum utilisation of indigenous products. (Paragraphs 6.8 and 6.9).

(27) Indian shipping should be utilised to the maximum extent for transport of imported goods purchased on Government account; a suitable clause reserving the right to nominate ships should be inserted in large-valued contracts. (Paragraph 6.12).

(28) The Purchase and Development Board should scrutinise large-valued indents. (Paragraph 7.5).

(29) Special whole-time committees should be appointed in the major indenting departments for a continuous study of scales of provisioning for spare parts. (Paragraph 7.6).

(30) Specific schedules of powers for various grades of officers in indenting departments should be laid down for approving demands by value as well as by nature of stores. (Paragraph 7.7).

(31) A store-wise programme for receipt of indents should be drawn up by the C.P.O. in consultation with the major indenting departments. (Paragraph 7.11).

(32) Indenting departments should plan their requirements well in advance to avoid rush of indents at the close of the financial year. (Paragraph 7.12).

(33) Indents should be classified under five categories: 'Programme' or 'Normal', 'Ad hoc', 'Urgent', 'Operational', and 'Development' indents; specific coloured forms should be used for each type. (Paragraph 7.13).

(34) Indenting departments should reduce the number of special indents, i.e., 'ad hoc', 'urgent', 'operational'; purchase procedure should be so devised as to meet such requirements with minimum delay. (Paragraph 7.15).

(35) Indents for proprietary stores of specific makes and brands should have the approval of the Head of the indenting department. (Paragraph 7.19).

(36) Indenting departments should be responsible for specifying in their indents full and correct technical particulars of stores required. (Paragraph 7.21).

(37) Where indent particulars require clarification, the C.P.O. should make reference to the indenting department within a week of receipt of indent; indenting departments should furnish clarification within a fortnight. (Paragraph 7.22).

(38) Where procurement action is not possible due to incomplete indent particulars, indents should be returned to the indenting departments with Director's approval. (Paragraph 7.24).

(39) A vocabulary of stores should be prepared by the C.P.O. (Paragraph 7.25).

(40) Indenting departments should avoid changes in specifications after placing demands. (Paragraph 7.26).

(41) Specifications laid down by the Indian Standards Institution should be adopted wherever available. (Paragraph 7.28).

(42) Price estimates and delivery schedules specified in indents should be realistic. (Paragraphs 7.29 and 7.30).

(43) Fresh certificate of availability of funds from the indenting department should not be necessary if supply of stores is delayed. (Paragraph 7.33).

(44) There should be a common list of registered suppliers for all Government Purchasing Authorities making substantial purchases. (Paragraph 8.4).

(45) Registration of a supplier should be renewed every three years. (Paragraph 8.5).

(46) Suppliers of plant and machinery who have no facilities for 'after-sales' service should also be considered for registration. (Paragraph 8.6).

(47) Registration of a new firm should not take more than three months. (Paragraph 8.7).

(48) Technical capacity, financial resources and reliability of a firm should be carefully examined before registration. (Paragraph 8.7).

(49) The acceptance of General Conditions of Contract should be a condition precedent to registration. (Paragraph 8.7).

(50) Registration of foreign manufacturers' agents in India should be confined to authorised agents only. (Paragraph 8.7).

(51) Registration should be deemed to be 'provisional' until the supplier executes at least one order satisfactorily. (Paragraph 8.7).

(52) The list of registered suppliers should be kept up-to-date with reference to performance. (Paragraph 8.7).

(53) Registered firms should be categorised with regard to their financial capacity to execute contracts. (Paragraph 8.7).

(54) Application forms for registration of suppliers should be made available at both the Headquarters and the Regional Offices of the C.P.O. (Paragraph 8.7).

(55) Greater facilities should be afforded for registration of cottage and small-scale industries. (Paragraph 8.8).

(56) When the system of registration of suppliers improves sufficiently, bulk orders should be placed with registered suppliers and 'educational' or 'trial' orders only with unregistered firms. (Paragraph 8.10).

(57) The normal method of calling for tenders by advertisement should continue; 'limited' tenders may be issued in certain specified cases. (Paragraphs 8.11 and 8.12).

(58) 'Invitations to tender' for quotations 'F.O.R. station of despatch' should specify that the purchaser will not pay separately for transit insurance and that the supplier will be responsible until the stores arrive in good condition at the destination. (Paragraph 8.13).

(59) Normally a minimum period of 30 to 45 days depending on the nature of stores should be allowed for tenderers to submit their offers. (Paragraph 8.14).

(60) Tenders should be received till 12.00 noon on the date of opening of tenders and should be opened at 2.30 P.M. (Paragraph 8.18).

(61) 'Late' tenders should not be considered; 'delayed' tenders may be considered in exceptional circumstances only. (Paragraph 8.19).

(62) Re-invitation to tender should be resorted to only in exceptional circumstances. (Paragraph 8.20).

(63) Negotiations for purchase of stores should be undertaken only in exceptional cases; negotiations after opening of tenders should be discouraged. (Paragraph 8.22).

(64) 'Abnormal Conditions' clause in Supply contracts should be revoked; 'Wages Escalator' clause should be discouraged; 'Escapes' on raw materials should be confined to controlled commodities only. (Paragraph 8.24).

(65) Contracts should be placed on 'firm price' basis; the present practice of inviting tenders for imported stores with 'escape' on F.O.B. costs or other items should be discontinued. (Paragraph 8.25).

(66) An accounts Section should be started in the C.P.O. for price finalisation. (Paragraph 8.26).

(67) Quotations should normally be invited on an all-inclusive basis, i.e., inclusive of Sales Tax and other local taxes. (Paragraph 8.28).

(68) All quotations should be invited and contracts placed on the basis of F.O.R. destination (or local delivery) except where concessional Railway Tariffs are applicable. (Paragraph 8.30).

(69) Normally, industries in the 'private' sector should be free to compete with those in the 'public' sector in Government purchases. (Paragraph 8.32).

(70) The present policy in regard to purchases from Ordnance Factories may continue. The spare capacity in the Ordnance Factories should be first utilised to meet Government requirements of stores normally imported or where indigenous capacity is insufficient to meet the country's demands. (Paragraphs 8.33 and 8.34).

(71) The purchase procedure should not normally admit preference to tried firms or tried makes; a list should be drawn of items where the specifications and laboratory tests are considered insufficient to assess the quality fully necessitating purchases to be restricted to specified makes or brands. (Paragraphs 8.35 and 8.36).

(72) Normally tenders for supply of imported stores should be invited on the basis of the supplier meeting the demand from his own quota of imports. (Paragraph 8.38).

(73) Ordinarily spare parts should be purchased from the machinery manufacturers (or their agents). In appropriate cases, the C.P.O. should consider the advisability of procuring spare parts from primary manufacturers (or their agents). (Paragraph 8.40).

(74) The C.P.O. should establish a greater number of Rate/Running Contracts and Price Agreements for substantial recurring demands; wherever possible, the Price Agreements should be converted into Rate Contracts. (Paragraph 9.6).

(75) Stipulation of financial limits in Rate Contracts restricting the powers of Direct Demanding Officers should be discontinued. (Paragraph 9.8).

(76) The C.P.O. should maintain statistics store-wise, indenter-wise and supplier-wise in respect of drawals against Rate/Running Contracts for proper appraisal of performance against each contract. (Paragraph 9.10).

(77) In the case of indents below Rs. 2 lakhs in value, 'repeat' orders should ordinarily be placed against contracts concluded during the preceding six months provided the new demand does not exceed fifty per cent. of the quantity previously ordered. (Paragraph 9.11).

(78) The C.P.O. should have the authority to place contracts at prices higher than the indent estimates up to 15 per cent. or Rs. 1 lakh whichever is less, without reference to the indenter. The larger discretion in regard to Defence demands may continue. (Paragraphs 9.18 and 9.19).

(79) The Registration Section of the C.P.O. should maintain 'Performance' registers centrally for recording suppliers' performance. (Paragraph 9.26).

(80) Purchase Sections of the C.P.O. should maintain up-to-date 'Rate Cards' with adequate details for each store. (Paragraph 9.27).

(81) The Progress Wing of the C.P.O. should maintain 'Progress Cards' for watching deliveries. (Paragraph 9.28).

(82) The C.P.O. should be treated as a 'Service' department and should not charge any departmental fees to the Central and State Government departments and quasi-Government institutions. (Paragraphs 9.34 to 9.37).

(83) India Store Department, London, should undertake inspection of stores ordered by private parties and charge a fee of one per cent. (Paragraph 9.38).

(84) The responsibility for 'write-off' of losses arising out of purchase transactions should rest with the indenting departments. (Paragraph 9.41).

(85) Comprehensive Manuals for 'Purchase', 'Inspection' and 'Disposals' codifying all orders and instructions should be prepared. (Paragraph 9.43).

(86) The Government 'Stores Purchase Rules' should be brought up-to-date in the light of the decisions taken on the recommendations in this Report. (Paragraph 9.44).

(87) The system of purchases through the C.P.O. should be so devised and worked as to ensure a programme of uninterrupted supplies for maintaining stocks with the indentors at the minimum level; consequential expenditure involved to ensure this should be accepted. (Paragraph 10.1).

(88) A time-schedule should be fixed in the C.P.O. for completion of action at each stage on the indents received till conclusion of contracts. A period of 90 days from the receipt of an indent should be prescribed for placing orders for stores of common type and 150 days for stores of complicated nature. 'Emergent' and 'Operational' indents should be dealt with personally by senior officers not below the rank of a Director. (Paragraphs 10.2 to 10.18).

(89) The C.P.O. should ensure timely supply of controlled raw materials to contractors; the Progress Wing should actively progress all such contracts. (Paragraph 10.20).

(90) Arrangements should be made to import controlled raw materials where indigenous supplies are not available in time. (Paragraph 10.21).

(91) Requests for extension of the delivery period should be attended to promptly; a period of 15 days from the receipt of supplier's request should be ample. (Paragraph 10.23).

(92) The Inspection Wing should furnish 'pre-inspection' delay reports against all contracts placed by the C.P.O. (Paragraph 10.27).

(93) There are no arrangements at present for the effective progressing of supplies in the C.P.O. A separate Progress Wing under a Deputy Director General should, therefore, be established immediately to ensure timely supplies. (Paragraph 10.29).

(94) All Government Purchase Agencies should adopt uniform General Conditions of Contract including Terms of Payment. (Paragraph 11.2).

(95) Payment of final bills to the suppliers should be ensured within 90 days from the date of despatch of stores. If a consignee fails to report in time regarding rejection of (or shortage in) supplies, payment should be authorised on an Indemnity Bond. (Paragraph 11.6).

(96) In contracts for supply and/or erection of plant and machinery, the balance 20 per cent. bills should normally be paid in two instalments within eight months of the receipt of stores. (Paragraph 11.7).

(97) The existing facility for 80/90 per cent. payment of bills for outstation supplies should be extended to contracts where the consignee is located in the same station as the supplier. (Paragraph 11.8).

(98) The previous system of inspection of, and payments for, stores during the grace period of 21 days after the due date of delivery should be restored; in such cases the Inspecting Officer concerned should be authorised to grant extensions for delivery and no Liquidated Damages should be levied. (Paragraph 11.9).

(99) In the case of 'deposit' parties, indentors should be asked to open along with their indents irrevocable Letters of Credit to cover the estimated value of stores plus 15 per cent. (Paragraph 11.11).

(100) Accounts Offices should ensure payment within one week of the receipt of suppliers' bills where bills are received with complete documentations; defective bills should be returned promptly indicating the nature of all objections. (Paragraph 11.12).

(101) Security Deposits should be refunded within 30 days of the receipt of 'No-Demand Certificate' from the supplier after the completion of supplies. (Paragraph 11.13).

(102) In the case of bills endorsed by a supplier in favour of a bank, production of the Power of Attorney should not be insisted upon. (Paragraph 11.14).

(103) Government should discourage payment of advances against contracts and encourage a wider application of the system of 'progress' payments. Suppliers in India should not receive less favourable financing terms than those allowed when purchases are made abroad. (Paragraph 11.17).

(104) Consignees should continue to have the right to inspect and reject stores on arrival even where the stores are inspected prior to despatch; the suppliers should be informed immediately about damages and shortages, if any. (Paragraph 11.19).

(105) The 'Arbitration' Clause in Supply contracts should be suitably amended to remove the unfettered discretion at present enjoyed by the contracting parties; both the parties should choose their nominees from the panel of arbitrators maintained by the Federation of Indian Chambers of Commerce and Industry or from amongst persons with legal/judicial experience of over 10 years. (Paragraph 11.21).

(106) The quantum of Liquidated Damages for delays in supply should not exceed 10 per cent. of the contract value. (Paragraph 11.22).

(107) Security Deposit need not be demanded from suppliers registered for a store in respect of contracts for that store. Ordinarily, Security Deposit should not also be asked in the case of allied items for which a tenderer is not specifically registered. (Paragraph 11.23).

(108) A Bank Guarantee from a Scheduled Bank, licensed by the Reserve Bank, should also be accepted as a form of security. (Paragraph 11.23).

(109) Modifications (detailed in paragraph 11.23) to the General Terms and Conditions of Supply contracts should be carried out. (Paragraph 11.23).

(110) Lists of articles which should be inspected by either the central or departmental agencies should be reviewed periodically by the Purchase and Development Board. (Paragraph 12.4).

(111) Indentors should endeavour to make greater use of the inspection facilities available with the C.P.O. in regard to their direct purchases. (Paragraph 12.6).

(112) Regional Inspectorates of the C.P.O. should have small laboratories for carrying out routine tests locally; a technical committee should be appointed to assess their requirements. (Paragraph 12.8).

(113) The C.P.O. should draw up a list of stores requiring 'stage' inspection. (Paragraph 12.9).

(114) The C.P.O. should prepare a list of stores suitable for 'percentage' inspection and also prescribe the modes of drawing samples. Periodical reports should be obtained from selected consignees to study the results of 'percentage' inspection. (Paragraphs 12.10 and 12.11).

(115) Inspection should commence within one week of supplier's request irrespective of the value of stores offered for inspection and location of supplies. (Paragraph 12.13).

(116) Ordinarily inspection should be completed within one week; a period of four weeks should normally be enough for inspecting stores involving elaborate tests. 'Inspection Notes' should be issued within 24 hours of completion of inspection. (Paragraphs 12.14 and 12.15).

(117) Defence laboratories should assist the C.P.O. and indentors for testing of non-Defence stores where testing facilities elsewhere are limited. (Paragraph 12.17).

(118) A branch of the Government Test House should be opened in Bombay. The C.P.O. should take advantage of the testing facilities available with industrial concerns and private institutions in selected cases. (Paragraph 12.19).

(119) Steps should be taken to decentralise the disposal activities when the volume of Defence surpluses is reduced; for the present *status quo* should continue. (Paragraph 13.4).

(120) So long as the Central Disposals Organisation continues, 'Purchase' and 'Disposal' should be two separate entities under the same Director General with a joint cadre. (Paragraph 13.6).

(121) The Purchase and Development Board should review the existence of surpluses and suggest measures for improvement in the system of determination of surpluses. (Paragraph 13.8).

(122) Pace of disposal should be accelerated to avoid deterioration of surplus stores and relieve congestion in covered accommodation for housing fresh arrivals. (Paragraph 13.11).

(123) Consultations within departmental units regarding the possibility of utilisation of surpluses should not take more than four to six weeks; where such consultations have taken place, the Central Disposals Organisation need not ascertain possible utilisation of the surplus from other units of the same Ministry. (Paragraph 13.13).

(124) Procedure for utilisation of surpluses should be improved without retarding the pace of disposal. (Paragraphs 13.14 and 13.15).

(125) 'Release' prices to priority indentors for disposal of surplus should be fixed at 40 per cent. of the assessed market value (or 10 per cent. of the book-value, where market prices are not ascertainable) and at half these rates to the educational institutions and hospitals. (Paragraph 13.16).

(126) The practice of checking each indent received in the C.P.O. to ascertain availability of stores out of surpluses should be discontinued. (Paragraph 13.17).

(127) 'Guiding' and 'reserve' prices for disposal of surpluses should be fixed realistically. (Paragraph 13.20).

(128) The system of deputing auctioning teams for 'clearance' sale should be pursued. (Paragraph 13.21).

(129) The Disposals Organisation should adopt commercial practices for effective sale of surplus stores—advertisements should be made more attractive; depots should be kept open for one week for inspection of stores; proper arrangements should be made to receive the prospective buyers and show them round; every possible assistance should be offered to the successful bidders for removal of their purchases. (Paragraph 13.22).

(130) All available information regarding the condition of the store should be notified to the public while inviting tenders for disposal of surplus. (Paragraph 13.24).

(131) The quantities offered for sale, wherever possible, should be guaranteed with prescribed limits of variation in suitable cases. (Paragraph 13.25).

(132) The responsibility for disposal of scrap and salvage material should rest with the stock-holding departments. (Paragraph 13.26).

(133) The services of the Central and Regional non-official Purchase Advisory Councils should be utilised in formulating the policy and procedure for disposal of surpluses also. (Paragraph 13.27).

(134) As soon as decisions are reached on this Report, a departmental committee should be appointed to determine the strength of the staff required for the efficient running of the C.P.O.; the required staff should be in position by the 31st of March, 1956. Meanwhile, a special team of one Director and eight Deputy Directors should be added to the present strength for clearing arrears and keeping the work up-to-date. (Paragraphs 14.4 and 14.5).

(135) The existing scales of pay for the personnel employed in the C.P.O. generally require no revision. (Paragraph 14.6).

(136) Arrangements should be made to fill all the permanent posts in the C.P.O. on permanent basis. In the light of the findings of the departmental committee for assessing the staff, early steps should be taken to confirm the officers considered fit to be retained in the organisation; for the balance of the requirements, recruitment should be made from other sources without delay. (Paragraph 14.8).

(137) Appointments on the 'Disposal' side should also be made permanent to the extent they may be required to deal with peace-time surpluses. The permanent personnel should be transferred to the stock-holding departments when they take over 'Disposal'. (Paragraph 14.9).

(138) Adequate measures should be adopted with a view to improve the quality of the personnel in the C.P.O. (Paragraph 14.12).

(139). As an *interim* but *immediate* measure, steps should be taken to strengthen the C.P.O. by filling up a substantial number of posts by suitable officers from indenting departments and other services including the 'Engineering Services' of the Central and State Governments. Recruitment of certain officers at intermediate levels should also be arranged on contract basis through the Union Public Service Commission. Arrangements should be made for short-term refresher courses for the existing personnel and departmental examinations and tests should be prescribed for confirmation or crossing efficiency bar or promotion to higher ranks. (The other immediate measures, viz., the establishment of a 'Progress Wing', addition of a 'Special Team' and preparation of 'Manuals', are covered by previous recommendations in the Summary). (Paragraph 14.13).

(140) The Head of the C.P.O. should be so selected that he is likely to continue in the post for about five years. The field of selection for the posts of the Director General and Deputy Directors General should be enlarged. (Paragraph 14.14).

(141) Twenty per cent of the sanctioned posts in the different grades in the C.P.O. should be reserved for officers from the major indenting departments; some officers at the junior level should be drafted on a tenure basis from the 'Industrial Management Service' when constituted. (Paragraph 14.14).

(142) Two Central Services, one for 'Supply' and the other for 'Inspection', should be constituted for the C.P.O. (Paragraph 14.14).

(143) Recruitment to the gazetted posts of 'Purchase' and 'Inspection' officers in the C.P.O. should be through competitive examinations to be held by the Union Public Service Commission. The selected candidates should receive training during a probationary period of two years and should be required to pass a departmental examination prior to confirmation. (Paragraph 14.14).

(144) There should be an 'Administrative Officer' for the C.P.O.; he and his subordinate gazetted staff should be selected from the Central Pool of Secretariat Service Officers. (Paragraph 14.15).

(145) There should be a full-time Director to look after the co-ordination of the activities of the C.P.O. He should be assisted by an adequate number of Deputy Directors. The field for selection for these posts should be widened. (Paragraph 14.16).

(146) The supervisory personnel required for maintaining statistics in the C.P.O. should be drawn from the Central Statistical Organisation. (Paragraph 14.17).

(147) Ordinarily, not more than two Purchase Officers should deal with a purchase case, with a view to reducing procedural delays. Difficult cases should start at the Deputy Director's level. (Paragraph 14.20).

(148) The 'charge' of Assistant Directors should be reduced by increasing their number. (Paragraph 14.20).

(149) The powers delegated to 'Purchase' and 'Disposal' officers should be enhanced in certain directions. (Paragraph 14.21).

(150) The number of regional purchase offices of the C.P.O. should be increased; to start with, a regional office should be opened at Kanpur. (Paragraph 14.23).

(151) The 'central' and 'regional' lists of stores should be revised; the 'central' list should be kept to the minimum. (Paragraph 14.24).

(152) Emergent demands irrespective of value should be allowed to be placed on the regional offices of the C.P.O. (Paragraph 14.25).

(153) A Commercial Intelligence Bureau should be attached to the C.P.O. to acquaint Purchase Officers with day-to-day developments in trade and industry. (Paragraph 14.29).

(154) The C.P.O. should have its own 'bi-weekly 'Commercial Bulletin' for prompt publication of information of commercial interest to give advance intimation of probable demands. Copies of the Bulletin should be mailed free to the registered cottage and small-scale industrial units. (Paragraphs 14.30 to 14.32).

(155) To ensure that complaints from indentors and suppliers are dealt with expeditiously, a special officer should be appointed in the

Progress Wing. This arrangement should be notified to indentors and suppliers. (Paragraph 14.33).

(156) Immediate steps should be taken to find a suitable accommodation for the office of the C.P.O. (Paragraph 14.36).

G. B. KOTAK, *Chairman.*
T. SIVASANKAR, *Member.*
V. N. RAJAN, *Member.*
N. N. WANCHOO, *Member.*
S. RATNAM, *Member.*
K. L. GHEI, *Member.*
G. S. RAU, *Member.*

D. P. KARNIK, *Secretary,*
Stores Purchase Committee.

NEW DELHI,
The 15th March, 1955.





सत्यमेव जयते

APPENDICES





सत्यमेव जयते

APPENDIX 1

GOVERNMENT OF INDIA RESOLUTION No. P. 3(201) DATED 11TH MARCH, 1953

MINISTRY OF WORKS, HOUSING AND SUPPLY

New Delhi, the 11th March, 1953.

RESOLUTION

No. P-3(201).—The existing Central Stores Purchase Organisation was set up as a result of recommendations made by the Stores Purchase Committee 1919-1920, which was presided over by Mr. F. D. Couchman, Member, Railway Board. There has been no comprehensive review of the activities of the Purchase Organisations since then and for sometime past the Government of India have felt the necessity of considering whether the existing Organisations for, and the methods adopted in, purchasing stores in India and abroad are adequate to deal with the range and variety of stores which have to be purchased, having regard to the expanding activities of a modern democratic State. The volume, value, variety and complexity of stores which have to be purchased now, have undergone much change and it is essential that the Purchase Organisation should be able to secure the requirements of Government without undue delay and with due regard to development of Indian industries, efficiency and economy. It is essential that there should be careful planning of requirements by users and of purchase, inspection and payments to contractors for stores supplied.

2. Government recently appointed Regional Stores Purchase Committees to review and make recommendations regarding the organisation and working of the India Store Department, London, and the India Supply Mission, Washington. These committees have completed their work and their Reports are under consideration. Government have now decided to appoint a Stores Purchase Committee to examine the working of the Central Stores Purchase Organisation in India with the following terms of reference:—

- (1) To examine the scope and functions of the Central Purchasing Organisation in India and the extent of delegation of powers necessary for the indenting departments for direct purchases with particular reference to specialised stores and special or emergent demands, and to consider the advisability of utilising the Central Purchasing Organisation for purchases by State-owned industrial enterprises and important River Valley and other Projects.
- (2) To examine the organisation of the Central Purchasing Agency and to consider re-organisation, that may be necessary, including the extent of powers, provision of

adequate and suitable personnel to man the organisation, scales of pay, service conditions, technical qualifications of the staff, etc., with a view to secure greater efficiency.

- (3) To consider the manner of determination of Government demands and the authorities at appropriate levels competent for approving such demands, rationalised planning, provisioning and indenting of stores and screening and processing of such demands and the procedure for the communication of sanctions and contracts to Audit.
- (4) To examine the procedure and methods of purchase, progressing of deliveries and payment of bills with special reference to avoidance of delays and achieving better results in respect of quality and economy.
- (5) To examine the procedure of inspection of stores by various agencies and to suggest general improvements, including simplification and rationalisation of procedure.
- (6) To examine the working of the stores purchasing system in relation to assistance to articles of Indian manufacture and encouragement to small-scale and cottage-industries.
- (7) To examine whether any modifications are required in the general conditions of the contract, in particular whether the Arbitration procedure now in force in the supply contracts is suitable.
- (8) To examine the policy, procedure and method of disposal of surplus stores with particular reference to their utilisation against Governmental requirements.
- (9) To examine any other matters considered to be relevant to this enquiry.

3. The Committee will have before it the Reports of the Regional Stores Purchase Committees, London and Washington, and having regard to the recommendations made by these Committees, it will also consider how better co-ordination could be secured between the different Purchase Organisations in India and abroad.

4. The Stores Purchase Committee will consist of:—

Chairman

Shri S. N. Buragohain, Deputy Minister, W. H. & S.

Members

Shri T. Sivasankar, I.C.S., Joint Secretary, Ministry of Irrigation and Power.

Shri M. P. Pai, I.C.S., Ministry of Production.

Shri N. M. Buch, I.C.S., Director-General (Supplies and Disposals).

Shri N. N. Wanchoo, I.C.S., Joint Secretary, Ministry of Defence.

Shri K. R. P. Aiyangar, Joint Secretary, Ministry of Finance (I. & C. Division).

Shri K. L. Ghei, O.S.D. (Stores Re-Organisation) Ministry of Railways.

Shri G. S. Rau, Accountant-General on Special Duty, Office of the Comptroller and Auditor-General of India.

Secretary

Shri D. P. Karnik.

5. The Committee will have its Headquarters in New Delhi and will submit its report to Government as early as possible.

ORDER

Ordered that a copy of the above Resolution be published in the Gazette of India and communicated to all the Ministries of the Government of India; the Cabinet Secretariat; the Prime Minister's Secretariat; Secretary to the President; the Planning Commission; the Secretary, Indian Tariff Commission; all State Governments and Administrations; the Director-General of Supplies and Disposals, New Delhi; the High Commissioner for India, London; the Director-General, India Store Department, London; the India Supply Mission, Washington; and a copy be also forwarded to the Secretary to the Stores Purchase Committee for information of the Committee.

(Sd.) S. RANGANATHAN,
Joint Secy. to the Govt. of India.

SUBSEQUENT MODIFICATIONS

(I) No. Pur-1(33)

New Delhi, the 14th May, 1953.

RESOLUTION

In partial modification of Resolution No. P-3(201), dated 11th March, 1953, published in the Gazette of India Extraordinary Part I—Section I, No. 33, dated 11th March, 1953, it has been decided that Shri S. Ratnam, Joint Secretary, Ministry of Finance (I & C Division), will now represent that Ministry on the Stores Purchase Committee, instead of Shri K. R. P. Aiyangar.

(Sd.) T. C. PURI,
Joint Secy. to the Govt. of India.

(II) No. Pur-19(2).

New Delhi, the 22nd July, 1953.

RESOLUTION

In further modification of Resolution No. P-3(201), dated 11th March, 1953, published in the Gazette of India Extraordinary Part I—Section I, No. 33, dated 11th March, 1953, it has been decided that Shri M. R. Sachdev, I.C.S., who has recently been appointed as Director-General, Supplies and Disposals, will be a member of the Stores Purchase Committee. Shri N. M. Buch, I.C.S., will also continue to be a member of the Committee.

(Sd.) D. D. AGNIHOTRI,
Under Secy. to the Govt. of India.

(III) No. Pur-19(2).

New Delhi, the 18th December, 1953.

RESOLUTION

With reference to this Ministry's Resolution No. P-3(201), dated the 11th March, 1953, announcing the constitution of the Stores Purchase Committee, it is notified for general information that—

- (a) Shri G. B. Kotak, has been appointed as Chairman of the Committee in the place of late Shri S. N. Buragohain, Deputy Minister, Works, Housing & Supply; and
- (b) Shri M. P. Pai, I.C.S., has resigned his membership of the Committee consequent on his transfer to the Andhra State and his resignation has been accepted.

(Sd.) S. RANGANATHAN,
Joint Secy. to the Govt. of India.

(IV) No. Pur-19(2).

New Delhi, the 27th July, 1954.

RESOLUTION

With reference to this Ministry's Resolution No. P-3(201), dated the 11th March, 1953, announcing the constitution of the Stores Purchase Committee, it is notified that Shri V. N. Rajan, I.C.S., Director-General (Supplies and Disposals) has been appointed a member of the Stores Purchase Committee *vice* Shri N. M. Buch deceased.

(Sd.) J. S. MONGIA,
Under Secy. to the Govt. of India.

(V) No. Pur-19(2)

New Delhi, the 28th December, 1954.

RESOLUTION

With reference to this Ministry's Resolution No. Pur-19(2), dated 22nd July, 1953, it is notified that Shri M. R. Sachdev, I.C.S., has resigned his membership of the Stores Purchase Committee and his resignation has been accepted.

(Sd.) S. RANGANATHAN,
Joint Secy. to the Govt. of India.

APPENDIX 2

QUESTIONNAIRE

[NOTES:

- (1) The Terms of Reference and the composition of the Stores Purchase Committee are given *inside.
- (2) This is a general questionnaire. At the end of each question, indication has been given in brackets as to whom it is addressed. There is, however, no objection to receive comments on other questions in which you may be interested.

*Not given in this Appendix. Please see Appendix 1.

- (3) The expression "Directorate General of Supplies and Disposals" or "D.G.S.&D." used in this questionnaire implies also its predecessor organisations, wherever applicable.
- (4) The expression "Industrial Enterprises and Projects" used in this questionnaire is intended to cover "State-owned Industrial Enterprises and important River Valley and other Projects".
- (5) Unless otherwise stated, the questionnaire relates to purchases and disposals made in India through Governmental Agencies.
- (6) Answers, as far as possible, should be brief and to the points covered by each question. If there is any correlated aspect not covered by this questionnaire, comments may please be forwarded by a supplement.
- (7) Please do not hesitate to write to the Secretary of the Committee if you desire additional copies of the questionnaire, or clarification on any point.
- (8) If any portion of your reply is desired to be treated as "confidential" for the use of the Committee only, indication may please be given to that effect.
- (9) It is requested that replies, in twelve copies, may be sent, addressed to the Secretary of the Committee, as early as possible, in any case not later than the 25th June, 1953.]

SECTION I.—Scope and functions of the Central Purchasing Organisation.

1. Please furnish a note on the scope and functions of your Central Purchase Organisation. Please give the following particulars for the years 1938-39, 1949-50, 1950-51, 1951-52 and 1952-53:—

The value of stores purchased for:

- (a) Defence Services,
- (b) Railways,
- (c) Posts and Telegraphs Department,
- (d) Other Central Government Departments,
- (e) State-owned Industrial Enterprises,
- (f) Important River Valley Projects,
- (g) Other Central Government Projects,
- (h) State Governments,
- (i) Foreign Governments,
- (j) Quasi-public Bodies, and
- (k) Others.

(N.B.—Please state figures for the last three years, if the figures for the five years mentioned above are not available.)

(*Dte. General of Supplies & Disposals, Controller of Printing and Stationery; Textile Commissioner; Iron and Steel Controller and the Ministry of Food and Agriculture.*)

2. Please state the following particulars for the years 1938-39, 1949-50, 1950-51, 1951-52, and 1952-53:—

- (i) The total expenditure,
- (ii) The actual recoveries (fees) from the paying Departments / Indentor, and
- (iii) The notional recoveries (fees) from the non-paying Departments/Indentors,

in regard to the Purchase/Inspection organisation of—

- (a) Directorate General of Supplies and Disposals.
- (b) Controller of Printing and Stationery.
- (c) Textile Commissioner,
- (d) Iron and Steel Controller, and
- (e) the Ministry of Food and Agriculture.

(*Accountant General, Food, Rehabilitation and Supply and the Accountant General, Central Revenues.*)

3. What are the scales of fees charged by the Central Purchasing Organisation for purchases and inspection of stores? Have you any views on the adequacy, or otherwise, of these charges?

(*Indenting Departments; Industrial Enterprises and Projects; State Governments; Directorate General of Supplies and Disposal; Controller of Printing and Stationery Textile Commissioner; Iron and Steel Controller and the Ministry of Food and Agriculture.*)

4. Please state the total amount of purchases made—

- (a) directly, under—
 - (i) emergent demands. and
 - (ii) others;
- (b) through the Directorate General of Supplies and Disposals, and
- (c) through other Central Purchasing Organisations, e.g., the Controller of Printing and Stationery, the Textile Commissioner, the Iron and Steel Controller, etc.,

during the years 1938-39, 1949-50, 1950-51, 1951-52 and 1952-53.

(*Indenting Departments and Industrial Enterprises and Projects.*)

5. Please state the classes of stores, indicating more important items, you normally purchase in India directly, including local purchases, if any. What organisation have you, at present, for such direct purchases? Please state the methods of purchase adopted and powers exercised at various levels and also the extent of financial control, if any (Indenting Departments).

Appendix No. 2 (Contd.)

6. Have you any views on the extent of powers exercised by the Indenting Departments for direct purchases of:—

- (a) general stores,
- (b) specialised stores, and
- (c) emergent demands?

(Directorate General of Supplies & Disposals; Indenting Departments and the Ministry of Finance.)

7. What stores, in practice, are classified as purchasable through the Central Purchasing Organisation? Out of the items at present being procured through the Central Purchasing Organisation, are there any classes of stores which, in your opinion, could, with advantage, be purchased directly, or *vice versa*? If so, please give particulars and state reasons.

(Directorate General of Supplies and Disposals and Indenting Departments.)

8. What arrangements, if any, are in force in your organisation for maintaining records of prices paid for stores?

(Directorate General of Supplies and Disposals; Indenting Departments and Industrial Enterprises and Projects.)

9. Have you any arrangements to compare prices for direct purchases with those being paid from time to time by the Central Purchasing Organisation for similar stores? If so, what is the broad result of such comparison? Have you any suggestions to make for better co-ordination in this regard?

(Indenting Departments; Industrial Enterprises and Projects, and the Directorate General of Supplies and Disposals.)

10. What are the classes of stores you normally purchase:—

- (a) directly, and
- (b) through the Central Purchasing Organisation? What are your views on the increased utilisation of the Central Purchasing Organisation for your requirements? Please state reasons.

(Industrial Enterprises and Projects.)

11. With due regard to the urgency of requirements, do you consider utilisation of your organisation for purchases of stores required by State-owned Industrial Enterprises and important River Valley and other Projects, feasible or desirable?

(Directorate General of Supplies and Disposals.)

12. What are the types of stores supplied by your contractors under construction/erection contracts which, if purchased separately, would normally be procured through the Central Purchasing Organisation? Have you any objection to such stores being purchased through the Central Purchasing Organisation?

Appendix No. 2 (Contd.)

[Industrial Enterprises and Projects; Ministry of Works, Housing and Supply (Chief Engineer, Central P.W.D.); Ministry of Defence (Engineer-in-Chief, A.H.Q.) and other Indenting Departments.]

13. Have you views on the purchase of plant, machinery, etc., arranged directly by the Indenting Departments under construction/erection contracts?

(Directorate General of Supplies and Disposals.)

SECTION II.—Organisation of, and personnel for, the Central Purchasing Agency.

14. Please furnish a note, with suitable charts, on the present set-up of the D.G.S.&D. Organisation (a) Administration and Co-ordination Wing, (b) Supplies Wing, (c) Inspection Wing, (d) Import & Shipping Section, (e) Disposals Wing and (f) Alipore and other testing laboratories. Please indicate broadly the basis, if any, on which the strength of the staff is fixed.

(Directorate General of Supplies and Disposals and the Ministry of Finance.)

15. What are the present scales of pay, service conditions, prescribed qualifications of the posts and methods of recruitment of your staff at various levels? Have you any suggestion to make in this regard, with a view to improve the efficiency of the organisation?

(Directorate General of Supplies and Disposals.)

16. What are the present powers of (a) Purchase and (b) Disposals, at various levels in your organisation? Please also state (a) the administrative and (b) the financial powers, exercised at various levels. Please indicate if, in your opinion, any modifications in this regard are considered necessary.

(Directorate General of Supplies and Disposals.)

17. Please furnish a note on the scope and functions of your Import & Shipping Section. Please also furnish a review of its work during the years 1950-51, 1951-52 & 1952-53.

(Directorate General of Supplies and Disposals.)

18. What are your views on the adequacy, or otherwise, of the personnel of the D.G.S.&D. Organisation both by (a) number and (b) technical and other qualifications, in relation of its volume and nature of work?

(Directorate General of Supplies and Disposals and the Ministry of Finance.)

19. What is the function of Indentors' Liaison Officer posted with the Directorate General of Supplies & Disposals? Has the posting of such officers resulted in better co-ordination, speedier coverage of indents and quicker deliveries of stores? Have you any views on the scope, function, methods of working, etc., of such liaison agencies?

Appendix No. 2 (Contd.)

(Directorate General of Supplies and Disposals; Ministry of Railways; Ministry of Defence and the Ministry of Communications.)

20. The Ministries of Defence, Railways and Communications have posted special Liaison Officers with the Directorate General of Supplies & Disposals. Would you suggest extension of this system with regard to other major indentors.

(Directorate General of Supplies and Disposals; Indenting Departments and Industrial Enterprises & Projects.)

21. The Director General of Supplies & Disposals has its Regional Offices at various places in India, for supply, inspection and disposal of stores. Are you in favour of opening additional regional offices, or closing any of the existing ones? If so, please offer suggestions, with reasons.

(Chambers of Commerce; Trade Associations; Indenting Departments; Industrial Enterprises and Projects and Directorate General of Supplies and Disposals.)

22. What are your views as to the steps that might be taken to improve the organisational set-up of the Directorate General of Supplies and Disposals in (a) Supplies Wing, (b) Inspection Wing, (c) Disposals Wing and (d) Alipore and other testing laboratories?

(Indenting Departments; Industrial Enterprises & Projects; Chambers of Commerce; Trade Associations and the Directorate General of Supplies and Disposals.)

SECTION III.—Determination and planning of indents for stores.

23. What is the basis adopted in your organisation for determining the requirements of various stores and to what extent factors like:—

- (a) period of provision,
- (b) fluctuations in needs,
- (c) position of stocks and stores on order,
- (d) suitable storage capacity,
- (e) availability elsewhere, in your organisation of similar types of stores, though under different nomenclature, and
- (f) time likely to be taken for arranging supplies, are taken into account while placing indents? Have you any suggestions to make in this regard? What, if any, is the procedure in your organisation for fixing or reviewing the normal 'life' of specialised stores?

Also, please state the basis adopted in your organisation for determining the requirements of spare parts. What, if any, are your views on indenting of spare parts along with the main equipment for (i) a limited period of maintenance & (ii) the life-time of the equipment?

Appendix No. 2 (Contd.)

(Indenting Departments and Industrial Enterprises & Projects.)

24. What are the powers exercised at various levels in the Indenting Departments for the approval of demands for purchase of stores? Are they subject to any financial scrutiny? Is there any arrangement for screening such demands by higher, or central, authority? Do you consider the present position satisfactory? If not, please give your suggestion with reasons.

(Indenting Departments; Industrial Enterprises and Projects and the Ministry of Finance.)

25. Is there any programme for submission of indents to the Central Purchasing Organisation? If so, please state the classes of stores covered and the time-table. Also, please state to what extent such programmes were adhered to during the years 1951-52 and 1952-53. Have you any suggestions to make in this regard?

(Indenting Departments; Industrial Enterprises and Projects and the Directorate General of Supplies and Disposals.)

26. Do you experience rush of indents during a particular period of the year? If so, what, in your opinion, are the reasons and what remedies, if any would you suggest to avoid such rush?

(Directorate General of Supplies and Disposals; Indenting Departments and Industrial Enterprises and Projects.)

27. What are the various types of special indents preferred on the Central Purchasing Organisation, e.g., *ad hoc*, urgent, express, operational, etc.? Which are the authorities competent to approve such types of indents? Please state the number and value of indents of these classes and compare them with the normal indents for the same stores placed on the Central Purchasing Agency during the years 1951-52 and 1952-53. Have you any suggestions to make in this regard?

(Indenting Departments; Industrial Enterprises and Projects and the Directorate General of Supplies and Disposals.)

28. What precautions, if any are taken while specifying—

(a) delivery periods, and

(b) estimated prices,
in the indents for purchase of stores, to ensure that they are realistic, with due regard to the prevailing market conditions? Please mention a few typical cases, indicating the classes of stores, their value and the extent of difference, where the Central Purchasing Organisation had observed unrealistic stipulation in the indents in this regard. Have you suggestions to make, for improvement in this respect?

Appendix No. 2 (Contd.)

(Indenting Departments; Industrial Enterprises and Projects and the Directorate General of Supplies & Disposals.)

29. What, if any, is the extent of discretion exercised by the Central Purchasing Organisation, without reference to indentors, for placement of contracts—

- (a) at rates higher than the estimated prices, and
- (b) with delivery periods longer than those shown in the indents?

Have you any suggestions to make in this regard?

(Directorate General of Supplies & Disposals; Indenting Departments and Industrial Enterprises and Projects.)

30. It is reported that one of the reasons for delays in supply arrangements for stores, in some cases, is "incomplete particulars in indents", necessitating back references from the Central Purchasing Organisation to the Indenting Departments. Have you any comments to make in this regard? Please state the number and the value of indent items, indicating also the classes of stores and the nature of queries involved, where such references were made by the Central Purchasing Organisation during the years 1951-52, and 1952-53. Have you any suggestions to make, to avoid delays on this account?

(Indenting Departments; Industrial Enterprises and Projects and the Directorate General of Supplies and Disposals.)

31. Please state the number of indents, (with the nature of stores and values involved), placed on the Central Purchasing Organisation during the years 1951-52 and 1952-53, where the indentors had altered the original specifications—

- (a) before conclusion of contracts, and
- (b) after conclusion of contracts.

Have you any comments to make in this regard? What are your suggestions, if any, to avoid delays on this account?

(Directorate General of Supplies & Disposals; Indenting Departments and Industrial Enterprises and Projects.)

32. Are the indents, preferred during a particular financial year against which contracts are not entered into during the same year, carried over to the next financial year automatically? What is the present procedure for making budget provision—

- (a) for payment against supply of stores where deliveries extend from one financial year to another; and
- (b) in cases where funds already provided in the budget lapse, due to delays and other difficulties in the adjustment in the final Heads of Account, before the close of the financial year?

Appendix No. 2 (Contd.)

(Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises and Projects; Governments; Accountant-General, Food, Rehabilitation & Supply; Accountant-General, Central Revenues and the Ministry of Finance.)

33. Please state the extent to which the existing Indian Standard Specifications (e.g., I.S.I., I.S.D., I.R.S., etc.) are adopted while preparing indents for various classes of stores. What, if any, are the difficulties in this regard and what are the types of stores where this may not be possible?

(Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce; Trade Associations; Ministry of Commerce and Industry (Development Wing) and the Indian Standards Institution.)

34. Under what circumstances and subject to what conditions, should Indenting Departments be authorised to indent for specific 'makes' or 'brands' of stores? Please state your views, with reasons.

(Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

35. Have you observed any demands in the recent past where indent specifications were too narrow to admit tenders beyond a particular make? If so, please mention a few typical cases. How do you deal with such indents? Have you any comments, or suggestions, to make?

(Directorate General of Supplies & Disposals; Indenting Departments and Industrial Enterprises and Projects.)

36. What is the procedure in force for communication of sanctions and contracts to Audit in respect of purchase of stores? Have you any comments to make on the present procedure?

(Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Textile Commissioner; Iron and Steel Controller; Ministry of Food and Agriculture; Indenting Departments; Industrial Enterprises and Projects; Accountant General, Food, Rehabilitation and Supply and the Accountant General, Central Revenues).

Section IV—Procedure and Methods of Purchase.

37. Please furnish a note on the procedure and methods of purchase, progressing of deliveries and payment of bills, adopted in your organisation, with special reference to avoidance of delays and achieving better results in respect of quality and economy.

(Directorate General of Supplies & Disposals; Indenting Departments and Industrial Enterprises and Projects).

38. Please refer to "Rules for Supply of Articles required for the Public Service", published in Appendix 9 of Central Government

Appendix No. 2 (Contd.)

Compilation of General Financial Rules, Volume II (1949) page 67— and state if, in your opinion, any modifications are required in these rules.

(Directorate General of Supplies, & Disposals; Indenting Departments; Industrial Enterprises and Projects; Ministry of Finance; Accountant General, Central Revenues and the Accountant General, Food, Rehabilitation & Supply.)

39. Please furnish a list of items dealt with in the Central Purchase Organisation (a) at the Headquarters and (b) in the Regional Offices. Have you any suggestions to make for rationalisation in this regard?

(Directorate General of Supplies & Disposals; Indenting Departments and Industrial Enterprises & Projects.)

40. What is the procedure for registration of suppliers both in India and abroad in your purchase organisation? Are the registered firms categorised with due regard to the value of contracts and their financial capacity to execute them? How often are the lists of registered firms reviewed and on what basis new firms are added, or old ones deleted? What, if any, are the arrangements to maintain performance records of supplying firms?

(Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Indenting Departments and Industrial Enterprises and Projects.)

41. Have you any views on the procedure of registration of suppliers adopted by the Directorate General of Supplies and Disposals and other Government Purchasing Organisations? Do you consider that the issue of tenders should be restricted to registered firms only? Please state reasons.

(Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner; Indenting Departments; Industrial Enterprises and Projects; Ministry of Commerce and Industry (Development Wing); Ministry of Finance; Chambers of Commerce; Trade Associations; Accountant General, Food, Rehabilitation and Supply and the Accountant General, Central Revenues.)

42. What is the nature and extent of financial control in purchase of stores by the D. G. S. & D. and other Government Purchasing Organisations? Have you any suggestions to offer?

(Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Indenting Departments; Industrial Enterprises and Projects; Ministry of Finance; Accountant General, Food, Rehabilitation and Supply and the Accountant General, Central Revenues.)

43. Please furnish a note on the system of cost examination of suppliers' books for negotiating or finalising contracts for supply of

Appendix No. 2 (Contd.)

stores. What machinery if any, have you at present for this purpose and how has it worked? Have you any views on the adequacy, or otherwise, of the present arrangements? Please mention a few typical cases in support of your views and also indicate the extent of delays involved in examining suppliers' books.

(Directorate General of Supplies and Disposals; Textile Commissioner; Controller of Printing and Stationery; Ministry of Food and Agriculture; Ministry of Finance; Accountant General, Food, Rehabilitation and Supply and the Accountant General, Central Revenues.)

44. What machinery, if any, have you at present to obtain advice on economic matters, including commercial intelligence and market trends, to ensure purchases being made economically and at the appropriate time? Have you any suggestions to make in this regard?

(Directorate General of Supplies and Disposals; Textile Commissioner; Controller of Printing and Stationery and the Ministry of Food and Agriculture.)

45. Please state briefly your views on the working of the system of Rate/Running contracts. What are the items of stores usually covered by Rate and Running contracts? Please comment on the scope for extending such arrangements for additional stores.

(Directorate General of Supplies and Disposals; State Governments; Indenting Departments and Industrial Enterprises and Projects.)

46. What are the arrangements for receipt, custody and opening of tenders in your organisation? Who are the officers in your organisation empowered to open tenders? What is the procedure for dealing with 'delayed' and 'late' tenders?

(Directorate General of Supplies and Disposals; Textile Commissioner; Controller of Printing and Stationery; Indenting Departments and Industrial Enterprises and Projects.)

47. What is the normal time allowed for receipt of tenders from the date of enquiry? Under what circumstances, shorter, or longer, durations are fixed and to what extent? Please state your views on the subject mentioning a few typical cases.

(Directorate General of Supplies and Disposals; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

48. Have you any views on what should be the policy regarding purchase of stores from State-owned Industries?

(Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Ministry of Defence; Ministry of Railways; Ministry of Production; Ministry of Finance; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

49. What special considerations, if any, should be given to tenders—

(a) from tried firms,

(b) for known and tried 'makes' or 'brands', and

Appendix No. 2 (Contd.)

- (c) for better quality stores than the prescribed standard, which may involve higher initial cost but prove cheaper in the long run?

(Directorate General of Supplies and Disposals; Indenting Departments; Industrial Enterprises and Projects; Ministry of Finance; Chambers of Commerce and Trade Associations.)

50. Have you any arrangements to progress indents and deliveries of stores for supplies arranged—

- (a) directly, and
(b) through the Central Purchasing Organisation?

Please give brief details.

(Indenting Departments and Industrial Enterprises and Projects.)

51. What, if any, are the arrangements in the D.G.S. & D. and other Government Purchasing Agencies for—

- (a) progressing the indents, and
(b) watching deliveries against contracts?

Please state briefly the working. Have you any suggestions to make in this regard? What is the time generally taken from the receipt of an indent to crossmending the demand to I.S.D., London/I.S.M., Washington? What, if any, is the procedure at present to watch coverage and deliveries against such demands?

(Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Indenting Departments and Industrial Enterprises and Projects.)

52. What are the powers exercised by the Central Purchase Organisation to treat contracts as completed, without reference to indentors, or without issue of amendments to contracts, in regard to small shortages, or excesses, in quantities supplied? How far have these powers worked satisfactorily in practice? Have you any suggestions to make?

(Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Indenting Departments; Industrial Enterprises and Projects; Ministry of Finance; Accountant General, Food, Rehabilitation and Supply and the Accountant General, Central Revenues.)

53. Please furnish the number of cases where final receipt certificates were issued—

- (a) within two weeks.
(b) between two and four weeks,

(c) between four and eight weeks, and

(d) after eight weeks,

from the date of receipt of stores during the year 1952-53, for supplies arranged through the Central Purchasing Agency, separately for—

(i) stores involving assembly/erection for testing, and

(ii) others.

Also, please state the approximate value of suppliers' bills held up, on this account, under each category.

(Indenting Departments and Industrial Enterprises and Projects.)

54. Please furnish a note on the factors, if any, which operate to delay the timely fulfilment of commitments after placing of contracts. Please give suggestions, if any, to improve position in this regard.

(Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Indenting Departments; Industrial Enterprises and Projects; Chamber of Commerce and Trade Associations.)

55. What, if any, are the arrangements at present in the Central Purchasing Organisation to obtain advice on legal matters? Please state briefly the working of such arrangements. Have you any views on the adequacy, or otherwise, of the present procedure in this regard? Have you any suggestions to make?

(Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture and the Ministry of Law.)

56. Have you any arrangement for co-ordination of issue of import licences against contracts placed by the D.G.S. & D. and other Central Purchasing Organisations for supply of stores to be imported? If so, please comment briefly on its working. Would you consider creation of special cells in the Central Purchasing Organisations for issue of import licences feasible or desirable?

[Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Ministry of Food & Agriculture and the Ministry of Commerce & Industry (Chief Controller of Imports and Exports.)]

57. During the past three years, was any serious difficulty experienced in acquiring import licences for supply of stores against contracts placed by the D.G.S. & D. and other Central Purchasing Organisation? If so, please mention a few typical instances. Have you any suggestions to make?

[Directorate General of Supplies & Disposals; Controller of printing and Stationery; Ministry of Food & Agriculture; Ministry of Commerce and Industry (Chief Controller of Imports & Exports); Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.]

58. Have you any arrangement for co-ordination of transport requirements against contracts placed by the D.G.S. & D. and other

Central Purchasing Organisations? If so, please comment briefly on its working.

(Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Ministry of Railways and the Ministry of Transport.)

59. During the past three years, was any serious difficulty experienced in acquiring transport facilities for supply of stores against contracts placed by the D.G.S. & D. and other Central Purchasing Organisations? If so please mention a few typical cases. Have you any suggestions to make?

(Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Ministry of Railways; Ministry of Transport; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

60. (a) What assistance, if any, is given by the Central Purchasing Organisation to suppliers for obtaining release of controlled raw materials and with what safeguards?

(b) It is reported that the manufacture of stores is often hampered due to delays in supply of controlled raw materials like iron and steel, etc. Have you any comments to make in this regard? Please mention a few typical cases in support of your views. What remedial measures, if any, would you suggest?

[Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises and Projects; Ministry of Commerce and Industry (Development Wing); Chambers of Commerce and Trade Associations.]

61. Have you any arrangement for co-ordination in respect of payment of suppliers' bills by the Accountant General against contracts placed by the D.G.S. & D. and other Government Purchasing Organisations? If so, please comment briefly on its working.

(Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Ministry of Railways; Accountant General, Food, Rehabilitation and Supply and the Accountant General, Central Revenues.)

62. During the past three years, was any serious difficulty experienced in getting payments for supply of stores against contracts placed by the D.G.S. & D. and other Government Purchasing Organisations? If so, please mention a few typical cases. Have you any suggestions to make for expediting payments?

(Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Textile Commissioner; Ministry of Food and Agriculture; Accountant General, Food, Rehabilitation and Supply; Accountant General, Central Revenues; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

63. What are your views, if any, on the feasibility or desirability of payments being made by the Accounts Officer of an individual

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indentor for supply of stores against contracts placed by the D.G.S. & D. and other Central Purchasing Organisations in lieu of the present centralised system of making payments?

(Directorate General of Supplies & Disposals; Textile Commissioner; Controller of Printing and Stationery; Ministry of Food and Agriculture; Indenting Departments; Industrial Enterprises and Projects; State Governments; Ministry of Finance; Accountant General, Central Revenue; Accountant General, Food, Rehabilitation and Supply and Trade Associations.)

64. Please furnish the following information in regard to supply of stores arranged through the Central Purchasing Organisation:—

The number and value of indent items, as on the 31st March, 1953, were, with regard to—

(a) indent delivery period,
and

(b) contract delivery period,

10 per cent or more quantities were outstanding for over—

- (i) one month but less than three months,
- (ii) three months but less than six months,
- (iii) six months but less than nine months,
- (iv) nine months but less than twelve months, and
- (v) one year.

Have you any suggestions to make for improving deliveries?

(Indenting Departments and Industrial Enterprises and Projects.)

65. What are your views, if any, on the relative merits of the system of placement of contracts for imported stores—

(a) with Agents in India,
and

(b) directly with manufacturers abroad by—

- (i) crossmandating Indents to I.S.D., London/I.S.M., Washington.

and

- (ii) inviting "Global" tenders.

(Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises and Projects; State Governments; Accountant General, Food, Rehabilitation and Supply; Accountant General, Central Revenues; Chambers of Commerce and Trade Associations.)

66. Please furnish a note on the publicity given by your Purchase Organisation for—

- (a) intended purchases,
- (b) contracts placed from time to time
and

(c) any other matter regarding procurement of stores.

Have you any suggestions to make in this regard?

Appendix No. 2 (Contd.)

(Directorate General of Supplies & Disposals; Controller of Printing and Stationery; Textile Commissioner; Indenting Departments and Industrial Enterprises and Projects.)

67. Have you any general comment on the procedure adopted by the Directorate General of Supplies and Disposals for procurement of stores? What are your views, if any, on the procedure of placement of contracts by the Central Purchasing Organisation through negotiations with Trade—

- (a) without inviting tenders
- and
- (b) after receipt of tenders?

(Chambers of Commerce; Trade Associations; Indenting Departments and Industrial Enterprises and Projects.)

Section V.—Procedure of inspection.

68. Please furnish a note on the present procedure of inspection of stores by your organisation indicating *inter alia* the grades of inspecting Officers authorised—

- (i) to conduct inspection
- and
- (ii) to issue inspection certificates.

(Directorate General of Supplies & Disposals; Controller of Printing & Stationery; Textile Commissioner; Ministry of Food & Agriculture; Ministry of Defence; Ministry of Railways; Ministry of Health; Indenting Departments and Industrial Enterprises and Projects.)

69. Please state the value of stores inspected by your organisation separately against—

- (a) your own contracts,
- and
- (b) others,

for each of the years 1938-39, 1949-50, 1950-51, 1951-52 and 1952-53.

(Directorate General of Supplies & Disposals; Ministry of Defence; Ministry of Railways and the Ministry of Health.)

70. Out of the stores purchased by the Directorate General of Supplies & Disposals and other Government Purchasing Agencies, what are the items, where—

- (a) inspection is carried out at various stages of manufacture
- and
- (b) only a certain percentage of stores in inspected?

What are the types of stores where you would consider 'stage inspection' during manufacture absolutely necessary?

Appendix No. 2 (Contd.)

(Directorate General of Supplies & Disposals; Ministry of Railways; Ministry of Defence; Ministry of Health; Indenting Departments; Industrial Enterprises & Projects; Chambers of Commerce and Trade Associations.)

71. Have there been any cases in the recent past where inspection could not keep pace with the rate at which stores were put up for inspection? If so, give a few typical instances.

(Directorate General of Supplies and Disposals; Ministry of Defence; Ministry of Railways; Ministry of Health; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

72. Please state the number and nature of cases where, during the years 1951-52 and 1952-53, consignees, on receipt of stores previously inspected and accepted by the Central Purchasing agency, had complained of sub-standard supply.

Please also state the ultimate loss to indentors on this account.

(Indenting Departments; Industrial Enterprises and Projects; Ministry of Defence; Ministry of Railways; Ministry of Health and the Directorate General of Supplies & Disposals.)

73. What are the facilities available in your organisation for testing of samples and stores? Are these facilities adequate? If not, have you any suggestions for improvement?

(Directorate General of Supplies and Disposals; Ministry of Defence; Ministry of Railways; Ministry of Health; Indenting Departments and Industrial Enterprises and Projects.)

74. Have you any comments to make on the adequacy and quality of equipment available with the Alipore and other testing laboratories of the Directorate General of Supplies and Disposals?

(Directorate General of Supplies and Disposals; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

75. Have you any views on the present system of inspection of stores followed by various Governmental Inspection Agencies in India?

(Directorate General of Supplies and Disposals; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce and Trade Associations.)

Section VI.—Stores purchasing system in relation to assistance to indigenous industry and encouragement to Cottage and Small-scale Industries.

76. Please furnish a note on how far, in your opinion, the Governmental stores purchase system, in its actual working, has been of assistance in the development of—

(a) articles of Indian Manufacture in general,
and

(b) products of Cottage and Small-scale Industries in particular.

Appendix No. 2 (Contd.)

Have you any suggestions to make for improvement in this regard?

[*Directorate General of Supplies and Disposals; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce; Trade Associations; Ministry of Commerce and Industry (Development Wing); Handloom Board; Handicrafts Board; Khadi and Village Industries Board; Ministry of Food and Agriculture and State Government.*]

77. Please state the value of purchases made by your organisation from—

(a) Cottage and Small-scale Industries,
and

(b) other Indian Manufactures,
as compared with your total purchases, during each of the years 1950-51, 1951-52 and 1952-53.

(*Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner; Indenting Departments; Industrial Enterprises and Projects and State Governments.*)

78. Please indicate the main items capable of being produced by Cottage and Small-scale Industries out of the stores normally purchased by your organisation. Please also state the value of purchase against each of such items from—

(a) Cottage and Small-scale Industries,
(b) other indigenous manufactures,
and

(c) imports, during the year 1950-51, 1951-52 and 1952-53, separately.

(*Directorate General of Supplies and Disposals; Controller of Printing and Stationery; Textile Commissioner and the Ministry of Food and Agriculture.*)

79. In your normal purchases, what are the main items of imported stores competing with those of indigenous manufacture, or capable of being produced indigenously? Please state the value of purchases against each of such items from—

(a) indigenous manufactures,
and
(b) imports,
during the years 1950-51, 1951-52 and 1952-53, separately.

(*Directorate General of Supplies & Disposals.*)

80. What steps, do you take to ensure greater utilisation of—

(a) Indian manufacturers,
and
(b) products of Small-scale and Cottage Industries,
while preparing indents for your requirements, e.g., relaxation in specifications, etc? Please mention a few typical instances.

Appendix No. 2 (Contd.)

(*Indenting Departments; Industrial Enterprises & Projects and State Governments.*)

81. To what extent, if any, direct contact between Indentors and Users on one hand and indigenous Producers on the other, either before or after finalisation of specifications, or placing of contracts, would help development of Indian industry for production of stores hitherto not produced in the country?

(*Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises & Projects; Ministry of Commerce & Industry (Development Wing); Chambers of Commerce and Trade Associations.*)

82. Are there any arrangements, at present, for co-ordinating purchases with the information available with the Ministry of Commerce and Industry, Directors of Industries of State Governments, etc., on—

(a) Cottage and Small-scale Industries,
and

(b) other indigenous sources of supply?

If so, state briefly the working. Have you any suggestions to make for better co-ordination in this respect?

(*Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises & Projects; Controller of Printing & Stationery; Textile Commissioner; Ministry of Commerce & Industry (Development Wing) and State Government.*)

83. What, if any, are the efforts made and the difficulties experienced to establish new indigenous sources for supply of stores required by the Government? What is the nature of assistance which the Directorate General of Supplies and Disposals and Government Purchasing Agencies are giving, or can give, in this regard? After establishing new sources, what are the measures adopted to ensure their capacities being utilised from year to year? Have there been any cases where industrial capacities so established had to remain idle for want of orders? Is it feasible, or desirable, to plan specialised Government requirements for longer periods, say 4 to 5 years, to enable new industries being established on stable footing? Please furnish a detailed note, with suggestions, if any.

(*Ministry of Commerce & Industry (Development Wing); Directorate General of Supplies & Disposals; Ministry of Defence; Ministry of Railways; Chambers of Commerce and Trade Association.*)

84. What is the procedure for cross-mandating (or placing directly) indents on India Stores Department, London/India Supply Mission, Washington, with particular reference to possibilities of stores being procured from indigenous sources? Have you any suggestion for improvement in this regard? Have you any views on placing of indents directly on India Store Department, London/India Supply Mission Washington, by Indenting Departments for specified stores?

(Directorate General of Supplies & Disposals; Ministry of Defence Ministry of Railways; Indenting Departments; Industrial Enterprises & Projects; State Governments and the Controller of Printing & Stationery.)

85. What is the nature of scrutiny adopted in your organisation on receipt of copies of indents placed abroad by the Ministry of Defence? Please also review the working of this procedure and comment on its usefulness and results achieved so far, to divert demands to indigenous sources.

(Directorate General of Supplies & Disposals; Ministry of Commerce & Industry (Development Wing) and the Ministry of Defence.)

86. Have you any sample rooms to exhibit normal stores required by you? If so, please review the working of the system and comment on the extent of its usefulness and results achieved so far, to establish new sources of supply. Would you recommend that the sample rooms, belonging to various Indentors, might usefully be combined?

(Ministry of Defence; Ministry of Railways; Directorate General of Supplies & Disposals; Ministry of Commerce & Industry (Development Wing); Chambers of Commerce and Trade Associations.)

87. Please furnish a list of articles –

(a, normally obtained from Cottage and Small-scale Industries,

and

(b) which, in your opinion, can be procured from Cottage and Small-scale Industries?

Have you any views on reservation of certain stores for procurement from Cottage and Small-scale Industries?

(Directorate General of Supplies & Disposals; Indenting Departments; Industrial Enterprises and Projects; Chambers of Commerce; Trade Associations; Ministry of Food and Agriculture; Ministry of Commerce & Industry (Development Wing); Handloom Board; Handicrafts Board and Khadi & Village Industries Board.)

88. In the light of Government policy to encourage Cottage and Small-scale Industries through Governmental purchases, is any special consideration shown by the Directorate General of Supplies & Disposals and other Governmental Purchasing Agencies to the products of Cottage and Small-scale Industries, e.g.,

- (a) Price preference,
- (b) Relaxation in specifications,
- (c) Deviations from the General Conditions of Contract, etc., etc.

If so, to what extent? Is the position, in your opinion, satisfactory? If not have you any suggestions to make?

Appendix No. 2 (Contd.)

(Directorate General of Supplies & Disposals; Controller of Printing & Stationery; Textile Commissioner, Indenting Departments, Industrial Enterprises & Projects, State Governments; Ministry of Food & Agriculture; Chambers of Commerce; Trade Associations; Handloom Board; Handicrafts Board and Khadi & Village Industries Board.)

Section VII.—General Terms and Conditions of Contract.

89. Please furnish 12 copies of your General Conditions of Contract for supply of stores.

(Directorate General of Supplies & Disposals, Controller of Printing & Stationery, Textile Commissioner, Indenting Departments, Industrial Enterprises and Projects and State Governments.)

90. Would you consider it desirable, or feasible, to adopt uniform "General Terms and Conditions" for contracts for supply of stores in the case of orders placed by various Governmental Purchasing Agencies in the country? If so, under what circumstances should variations be allowed and who should be authorised to allow such variations?

(Directorate General of Supplies & Disposals, Controller of Printing & Stationery, Textile Commissioner, Ministry of Food & Agriculture, Ministry of Defence, Ministry of Railways, Ministry of Finance, Indenting Departments, Industrial Enterprises & Projects, State Governments, Accountant General, Central Revenues, Accountant General Food, Rehabilitation & Supply, Chambers of Commerce and Trade Associations.)

91. Please furnish a note on the working of General Conditions governing contracts for purchase of stores placed by Governmental Purchasing Agencies. Also, please indicate which, if any, of these conditions have led to difficulties in practice. Please mention a few typical cases in support of your views. In the light of your experience, what modifications, if any, would you suggest?

(Directorate General of Supplies & Disposals, Controller of Printing & Stationery, Textile Commissioner, Indenting Departments, Industrial Enterprises & Projects, Ministry of Finance, Accountant General Central Revenues, Accountant General, Food Rehabilitation & Supply, Chambers of Commerce and Trade Associations.)

92. What are the normal payment terms for contracts placed by the D.G.S. & D. and other Governmental Purchasing Agencies for supply of stores? Please comment briefly on their working in actual practice. Have you any views regarding the effects of these payment terms on tender prices?

(Directorate General of Supplies & Disposals, Controller of Printing & Stationery, Textile Commissioner, Indenting Departments, Industrial Enterprises & Projects, Ministry of Finance, State Governments, Chambers of Commerce and Trade Associations.)

93. Would you recommend inclusion of a 'Warranty' Clause in the General Conditions of Contract for supply of stores? If so, have you any suggestions to make regarding the form of such a clause?

Appendix No. 2 (Contd.)

(Directorate General of Supplies & Disposals, Indenting Departments, Industrial Enterprises & Projects, State Governments, Ministry of Finance, Accountant General, Central Revenues, Accountant General, Food, Rehabilitation & Supply, Chambers of Commerce and Trade Associations.)

94. What are your views on the procedure of advance payments such as, 90 per cent., 80 per cent., etc., against contracts placed by the Directorate General of Supplies and Disposals? To what extent has this procedure been abused, e. g., suppliers, in their bills, quoting bogus Railway Receipt numbers or suppliers wilfully despatching improper stores, etc., etc.? Please mention a few typical cases in support of your views. What safeguards would you suggest to prevent such malpractices?

(Directorate General of Supplies & Disposals, Indenting Departments, Industrial Enterprises & Projects, Accountant General, Food, Rehabilitation & Supply, Accountant General, Central Revenues, and the Ministry of Finance.)

95. What types of financial accommodation are asked for and given to the suppliers by the D.G.S. & D. and other Government Purchasing Agencies, e.g.,

- (a) opening of Letters of Credit.
- (b) advance payments.
- (c) progress payments etc., etc.?

Has such accommodation led to difficulties or disputes in practice? If so, please mention a few typical cases.

(Directorate General of Supplies & Disposals, Indenting Departments, Industrial Enterprises & projects, State Governments, Ministry of Finance, Accountant General, Central Revenues, Accountant General, Food, Rehabilitation & Supply, Chambers of Commerce, Trade Associations, Controller of Printing & Stationery, Textile Commissioner, and the Ministry of Food & Agriculture.)

96. What are the provisions in the General Conditions of Contract governing contracts placed by the D.G.S. & D. and other Government Purchasing Agencies—

- (a) to enforce risk purchase in case of failures, and
- (b) to recover damages for delays in supply?

Have you experienced any difficulties in practice in the working of these provisions? Have you any suggestion to make in this regard?

Appendix No. 2 (Contd.)

(Directorate General of Supplies & Disposals, Controller of Printing & Stationery, Textile Commissioner, Indenting Departments, Industrial Enterprises & Projects, Ministry of Finance, Accountant General, Central Revenues, Accountant General, Food, Rehabilitation & Supply, Chambers of Commerce and Trade Associations.)

97. Please furnish a note on the provision and working of the present methods of settling disputes with trade, arising out of contracts for supply of stores by—

- (a) arbitration, and
- (b) other means.

Please indicate the normal types of such disputes. Please also furnish the number of cases (with value of claims involved) referred to (a) arbitration and (b) Courts of Law, during the years 1951-52 and 1952-53. In the light of your experience, have you any suggestions to make for improving the present methods of settling disputes, with particular reference to 'arbitration'?

[Directorate General of Supplies & Disposals, Controller of Printing & Stationery, Textile Commissioner, Ministry of Defence (Engineer-in-Chief, A.H.Q.), Ministry of Works Housing & Supply (Chief Engineer, Central Public Works Department), Indenting Departments, Industrial Enterprises & Projects, Ministry of Food & Agriculture and State Governments.]

Section VIII—Disposal of surplus stores.

98. Please furnish a note on the policy, procedure and methods of disposal of surplus stores, indicating, *inter alia* the method of—

- (a) ascertaining current market value, and
- (b) fixing 'Reserve' and Guiding' prices.

(Directorate General of Supplies and Disposals)

99. Please furnish a list of Priority and other Special classes of Indentors. Do you consider any revision in the list necessary? At what prices, disposal goods are released to the Priority and other Special classes of Indentors? Having regard to the nature of peace-time surpluses and other circumstances would you consider any revision in the existing orders relating to "Price-fixation" and "Release-prices" feasible or desirable? If so, please offer suggestions with reasons.

(Directorate General of Supplies and Disposals.)

100. Please state—

- (a) the book values, and
- (b) the sale value of stores—
 - (i) declared surplus, and
 - (ii) disposed of by your organisation,

Appendix No. 2 (Contd.)

during the years 1950-51, 1951-52 and 1952-53, indicating separately the figures for—

- (a) War surpluses, and
- (b) others

(Directorate General of Supplies and Disposals.)

101. What arrangements, if any, have you at present to ensure utilisation of surplus stores to meet—

- (a) Governmental demands,
- (b) requirements of other Priority Indentors, and
- (c) normal indents received by the Supplies Wing?

Also, please furnish a statement indicating—

- (a) the book value, and
- (b) the sale value,

of surplus stores, utilised to meet these categories of demands during the years 1950-51, 1951-52 and 1952-53. Do you consider it possible to increase the utilisation of 'surplus' towards Governmental requirements? If so, what are your suggestions?

(Directorate General of Supplies and Disposals.)

102. What arrangements, if any, have you at present, to draw on the 'surplus' available with the Disposals Organisation before indenting for purchase of stores? Disposals Organisations have been circulating, from time to time, lists of available surplus stores. What action if any, is taken in your organisation on receipt of such lists? At what level, the possibilities of utilisation of such surpluses against your requirements are considered? Have you any suggestions to offer for more utilisation of surplus stores, to meet your normal requirements?

(Indenting Departments and Industrial Enterprises and Projects.)

103. What is the procedure adopted for arriving at "surpluses" and declaration of such surpluses to the Disposals Organisation? What checks, if any, are exercised to determine the serviceability or otherwise, of these stores, prior to their declaration as surplus? What is the normal time taken between an intimation of 'surplus' by a Stock-Holder to his department and its formal declaration to the "Disposals" by the department? Have you any suggestions to make to decrease this time-lag?

(Surplus Declaring Authorities, Industrial Enterprises and Projects, and the Directorate General of Supplies and Disposals.)

104. Would you consider it desirable, or feasible, to introduce a system whereby the Surplus Declaring Authorities would circulate their lists of surpluses to other Government Departments simultaneously with the declaration of such surpluses to the Disposals Organisation?

*Appendix No. 2 (Contd.)**(Surplus Declaring Authorities and the Directorate General of Supplies and Disposals.)*

105. Have you any arrangements for direct disposal of surpluses? If so, what are the classes of stores so disposed of? Please also state the methods of disposal and the powers exercised at various levels, including the extent of financial control, if any.

(Surplus Declaring Authorities.)

106. Have you any views on the desirability, or otherwise, of continuing the existing procedure which enables the Stock-holding departments dispose of directly scrap and salvage, irrespective of value?

(Surplus Declaring Authorities and the Directorate General of Supplies and Disposals.)

107. Please furnish the values of stores—

(a) disposed of directly, and

(b) declared surplus to the Disposals Organisation, during the year 1950-51, 1951-52 and 1952-53.

(Surplus Declaring Authorities.)

108. Have you any general comments on the procedure and methods adopted by the D.G.S. & D. for disposal of surplus stores? What, if any, are your views on the system of disposal on "As is where is" basis? Have you any modifications to suggest in this regard?

(Chambers of Commerce, Trade Associations, Industrial Enterprises and Projects, Indenting Departments, Surplus Declaring Authorities, Directorate General of Supplies and Disposals and State Governments.)

APPENDIX 3

I. HEADINGS FOR THE SUPPLEMENTARY INFORMATION CALLS FROM THE DIRECTORATE-GENERAL OF SUPPLIES & DISPOSALS

(A) The total number of—

- (i) indents and indent items received,
- (ii) enquiries issued,
- (iii) tenders received,
- (iv) contracts placed,
- (v) receipts other than indents, and
- (vi) issues other than contracts.

during the year 1952-53.

*Appendix No. 3 (Contd.)***(B) Break-up by value of—**

- (a) number of indents received during the months of March, August and November, 1952, and
- (b) corresponding indents, or indent extracts, or bulked indents, etc., sent to 'Supplies' Sections—
 - (i) less than Rs. 25,000/-,
 - (ii) between Rs. 25,000/- and Rs. 1,00,000/-,
 - (iii) between Rs. 1,00,000/- and Rs. 2,00,000/-,
 - (iv) between Rs. 2,00,000/- and Rs. 10,00,000/-,
 - (v) between Rs. 10,00,000/-, Rs. 25,00,000, and
 - (vi) over Rs. 25,00,000/-.

(C) The number of indent items received during the months of March, August and November, 1952—

- (i) where back references to indenting departments were made for clarification of indent particulars;
- (ii) where such clarification was sought—
 - (a) within one week,
 - (b) between one and two weeks,
 - (c) between two and four weeks, and
 - (d) after four weeks,
- from the receipt of indent, and
- (iii) where such clarification was received—
 - (a) within two weeks,
 - (b) between two and four weeks,
 - (c) between four and eight weeks, and
 - (d) after eight weeks,
- from the date of reference.

(D) The number, the nature of stores involved and the value of indent items bulked during the year 1952-53.

Also, a brief note indicating broadly the desirability and feasibility of bulking of indents and the extent of delays involved on this account.

(E) The number and value of indent items received during the months of March, August and November, 1952, for which tenders were invited—

- (i) within one month.
 - (ii) between one and two months,
 - (iii) between two and three months, and
 - (iv) after three months,
- from the date of receipt of indents, with complete indent particulars.

Also, a brief note on the normal time considered necessary for issue of enquiries and the broad reasons for delays in this regard, mentioning a few typical cases.

Appendix No. 3 (Contd.)

(F) The number and value of indent items received during the months of March, August and November, 1952, where tenders were re-invited.

Also, a brief note on the subject, stating the broad reasons for such action and delays involved on this account, mentioning a few typical cases.

(G) The total number and value of indent items where, during the year 1952-53, negotiations were carried out for concluding contracts (excluding Rate/Running Contracts and Price Agreements)—

- (a) without resorting to Invitations to Tender, and
- (b) after receipt of tenders.

Also, a brief note on the subject, stating briefly the broad reasons for such action.

(H) The total number and value of contracts placed during the year 1952-53 against—

- (i) Rate/Running Contracts (including Supply Orders placed directly by Direct Demanding Officers),
- (ii) Repeat Orders,
- (iii) Single Tender Enquiry,
- (iv) Limited Tender Enquiry,
- (v) Advertised Tender Enquiry,
- (vi) Negotiation, and
- (vii) Other methods of purchase, if any.

(I) The total number and value of indent items received during the months of March, August and November, 1952, where contracts were placed—

- (i) within one month,
- (ii) between one and two months,
- (iii) between two and four months, and
- (iv) after four months,

from the date of receipt of tenders

Also, a brief note on the normal time considered necessary for placement of orders and the broad reasons for delays in this regard, mentioning a few typical cases.

(J) The number of cases in respect of Inspection Notes issued during the months of March, August and November, 1952, where—

- (a) inspection was undertaken—
 - (i) after three days,
 - (ii) between three and seven days,
 - (iii) between seven and fourteen days, and
 - (iv) after fourteen days,

after receipt of suppliers' intimation, and

Appendix No. 3 (Contd.)

(b) the Inspection Notes were issued—

- (i) after three days,
- (ii) between three and seven days,
- (iii) between seven and fourteen days, and
- (iv) after fourteen days,

from the date of inspection of stores.

Also, a brief note stating broadly the reasons for such delays, mentioning a few typical cases, with suggestions for remedial measures.

(K) The total number of uncovered indent items, as on the 31st of March, 1953, outstanding—

- (i) for less than three months,
- (ii) between three and six months,
- (iii) between six and nine months,
- (iv) between nine and twelve months, and
- (v) for over twelve months.

from the date of receipt of indents, with complete particulars.

Also, a brief review of the number of indent items received during the years 1949-50, 1950-51, 1951-52 and 1952-53 and the items remaining uncovered at the end of each year.

(L) The number and value of indent items received during the months of March, August and November, 1952, for specified 'Makes', or 'Brands', (excepting Spare Parts).

Also, a brief note on the subject, mentioning a few typical cases where the indentors had subsequently agreed to enlarge the scope of such indents.

(M) The number and value of indent items received during the months of March, August and November, 1952, where contracts were placed—

- (a) on 'Cost plus' basis, and
- (b) with Price Variation Clause(s).

Also, a brief note on the subject, indicating the time taken for finalisation of prices, mentioning a few typical cases.

(N) The number and value of indent items received during the months of March, August and November, 1952, where, with regard to—

- (a) indent delivery period, and
- (b) contract delivery period,

10 per cent. or more stores were outstanding as on the 31st of March, 1953, for—

- (i) over one month but less than three months,
- (ii) over three months but less than six months.
- (iii) over six months but less than nine months, and
- (iv) over nine months.

Appendix No. 3 (Contd.)

Also, a brief note on the subject, indicating broad reasons for delays in this regard, mentioning a few typical cases.

(O) The number of cases in respect of indent items received during the months of March, August and November, 1952, where—

- (a) tenders, or contract proposals, were referred, to the indenting departments for advise, and
- (b) their final replies were received—
 - (i) within two weeks,
 - (ii) between two & four weeks,
 - (iii) between four & eight weeks, and
 - (iv) after eight weeks,

from the date of such references.

Also, a brief note indicating the necessity of such references and consequential delays.

(P) The number of cases referred to the Ministry of Finance in respect of indent items received during the months of March, August and November, 1952.

Also, a brief note indicating the nature of such references and the time taken to obtain financial concurrence.

(Q) The number of cases referred to the controlling Ministry in respect of indent items received during the months of March, August and November, 1952.

Also, a brief note indicating the nature of such references and the time taken to obtain the Ministry's approval.

(R) The total number of cases referred to Headquarters by the Regional Offices in respect of indent items received during the months of March, August and November, 1952, indicating also—

- (a) the number and value of indent items, and
- (b) the broad nature of such references.

Also, a brief note on the delays involved on this account, with suggestions for remedial measures.

(S) The number and value of indent items received during the months of March, August and November, 1952, where contracts were placed with other than the lowest tenderers.

Also, a brief note on the subject, indicating broad reasons for this action, mentioning a few typical cases.

(T) A statement of approximate percentage and value of stores purchased from indigenous manufacturers during each year from the inception of the Indian Stores Department.

(U) The total number and value of indent crossmandated to the I.S.D., London/the I.S.M., Washington, during the year 1952-53—

- (i) within one month.
- (ii) between one and two months,

Appendix No. 3 (Contd.)

- (iii) between two and four months, and
- (iv) after four months,

from the date of receipt of indents, with complete particulars.

Also, a brief note, indicating broad reasons for delays in cross-mandating demands.

II. HEADINGS FOR THE SUPPLEMENTARY INFORMATION CALLED FROM THE ACCOUNTANT-GENERAL, FOOD, REHABILITATION & SUPPLY.

(V) The number and value of final bills—10 per cent., 20 per cent., etc.—paid during the months of March, August and November, 1952, against contracts placed by the Central Purchasing Organisation, where connected advance payments were made—

- (i) between two and four months before,
- (ii) between four and six months before, and
- (iii) more than six months before.

Also, a brief note on the subject, stating broad reasons for delays, with suggestions for remedial measures.

(W) The number and value of bills received during the months of March, August and November, 1952, against contracts placed by the Central Purchasing Organisation, where payments were made—

- (i) within one week,
- (ii) between one and two weeks,
- (iii) between two and four weeks, and
- (iv) after four weeks,

from the date of receipt of bills.

(X) A statement of the number and value of bills received during the months of March, August and November, 1952, indicating also the percentage (both by number and by value) of the bills returned, or withheld, on account of—

- (a) incomplete supporting documents and
- (b) audit, or other objections.

Also, a brief note on the types of incomplete documents and audit, or other objections, with suggestions for remedial measures.

(Y) The number and value of bills for advance payments received during the months of March, August and November, 1952, against contracts placed by the Central Purchasing Organisation, where the supporting Inspection Notes indicate delays of—

- (i) one week,
- (ii) one to two weeks,
- (iii) two to four weeks,
- (iv) four to eight weeks,

(v) eight to sixteen weeks, and
 (vi) more than sixteen weeks,
 from the date of inspection of stores.

(Z) The number and value of bills for final payments received during the months of March, August and November, 1952, against contracts placed by the Central Purchasing Organisation, where the supporting Receipt Certificates indicate delays of—

(i) one week,
 (ii) one to two weeks,
 (iii) two to four weeks,
 (iv) four to eight weeks,
 (v) eight to sixteen weeks, and
 (vi) more than sixteen weeks,
 from the date of receipt (or despatch) of stores.

APPENDIX 4

PARTIES WHO RESPONDED TO THE QUESTIONNAIRE.

I. Ministries of the Government of India:

1. Ministry of Communications.
2. Ministry of Commerce & Industry.
3. Ministry of Defence.
4. Ministry of Education.
5. Ministry of Finance.
6. Ministry of Food & Agriculture.
7. Ministry of Health.
8. Ministry of Home Affairs.
9. Ministry of Information & Broadcasting.
10. Ministry of Irrigation & Power.
11. Ministry of Labour.
12. Ministry of Law.
13. Ministry of Natural Resources and Scientific Research.
14. Ministry of Production.
15. Ministry of Railways.
16. Ministry of Transport.
17. Ministry of Works, Housing & Supply.

II. Central Purchase and other Organisations:

18. The Controller of Printing & Stationery, New Delhi.
19. The Director General, Supplies & Disposals, New Delhi.
20. The Iron and Steel Controller, Calcutta.
21. The Textile Commissioner, Bombay.
22. The Accountant General, Central Revenues, New Delhi.
23. The Accountant General, Food, Rehabilitation & Supply, New Delhi.

24. The All-India Handicrafts Board, New Delhi.
25. The All-India Handloom Board, Bombay.
26. The All-India Khadi and Village Industries Board, Bombay.
27. The Indian Standards Institution, Delhi.

III. State Governments:

28. Government of Assam.
29. Government of Bihar.
30. Government of Bilaspur.
31. Government of Bombay.
32. Government of Delhi State.
33. Government of Himachal Pradesh.
34. Government of Kutch.
35. Government of Madhya Bharat.
36. Government of Madhya Pradesh.
37. Government of Madras.
38. Government of Manipur.
39. Government of Mysore.
40. Government of Patiala & East Punjab States.
41. Government of Uttar Pradesh.
42. Government of Vindhya Pradesh.
43. Government of West Bengal.

IV. Trade & Industrial Associations:—

44. The All-India Glass Manufacturers' Federation, Delhi.
45. The All-India Manufacturers' Organisation, Bombay.
46. The Association of Rubber Manufacturers in India, Calcutta.
47. The Automotive Manufacturers' Association of India, Calcutta.
48. The Bengal Chamber of Commerce & Industry, Calcutta.
49. The Bharat Chamber of Commerce, Calcutta.
50. The Bombay Chamber of Commerce, Bombay.
51. The Engineering Association of India, Calcutta.
52. The Federation of Gujrat Mills & Industries, Baroda.
53. The Federation of Indian Chambers of Commerce & Industry, New Delhi.
54. The Federation of Woollen Manufacturers in India Bombay.
55. The Hindustan Chamber of Commerce, Calcutta.
56. The Indian Chamber of Commerce, Calcutta.
57. The Indian Chemical Manufacturers' Association, Calcutta.
58. The Indian Electrical Manufacturers' Association, Calcutta.
59. The Indian Engineering Association, Calcutta.
60. The Indian Jute Mills Association, Calcutta.
61. The Indian Merchant's Chamber, Bombay.

62. The Indian Non-ferrous Metals Manufacturers' Association, Calcutta.
63. The Indian Paint Manufacturers' Association, Calcutta.
64. The Indian Paper Makers' Association, Calcutta.
65. The Indian Paper Mills Association, Calcutta.
66. The Indian Rubber Industries Association, Bombay.
67. The Iron, Steel & Hardware Merchants' Chamber of India, Bombay.
68. The Madras State Handloom Weavers' Co-operative Society Ltd., Madras.
69. The Mysore Chamber of Commerce, Bangalore.
70. The Mysore Provincial Cotton Handloom Weavers' Co-operative Society Ltd., Bangalore.
71. The Northern India Chamber of Commerce, Ambala Cantt.
72. The Paint Federation, Calcutta.
73. The Pharmaceutical and Allied Manufacturers and Distributors' Association Ltd., Bombay.
74. The Southern India Chamber of Commerce, Madras.
75. The Swadeshi League, Bombay.
76. The Travancore Central Cottage Industries Co-operative Society Ltd., Trivandrum.
77. The Travancore Chamber of Commerce, Alleppey.
78. The United Provinces Chamber of Commerce, Kanpur.
79. The Upper India Chamber of Commerce, Kanpur.

V. Members of Parliaments:—

80. Shrimati Violet Alva.
81. Shri B. Das.
82. Shri A. K. Gopalan.
83. Shri R. R. Morarka.
84. Shri A. Ramaswamy Mudaliar.
85. Shri P. Natesan.
86. Shri S. V. Ramaswamy.
87. Shri T. N. Singh.
88. Shri P. Sundarayya.

VI. Others

89. Shri P. G. Bhagat, General Manager, Messrs. Turner Hoare & Co. Ltd., Bombay.
90. Shri B. K. T. Iyengar, Audit Officer, Damodar Valley Corporation, Calcutta.
91. Shri K. A. D. Naorojee, Managing Director, Messrs. Tata Industries, Ltd., Bombay.
92. Shri A. R. Palit, Managing Director, Messrs. A. R. Palit & Co. Ltd., New Delhi.
93. Shri K. B. Rao, Director-General, India Store Department, London.

94. Shri M. K. Rao, Managing Director, Messrs. Eastern Bedaux Co., Ltd., Bombay.

95. Shri R. P. Sarathy, Director of Audit, Defence Services, New Delhi.

96. Shri A. D. Shroff, Director, Messrs. Tata Industries Ltd., Bombay.

97. Shri H. A. Sujan, Director, India Supply Mission, Washington.

APPENDIX 5

LIST OF PERSONS WHO GAVE EVIDENCE BEFORE THE COMMITTEE

I. Non-officials

1. Prof. S. N. Agarwal, M.P.
2. Shri G. L. Bansal, M.P.
3. Shri K. C. Bakhle, Director, Air-India International Ltd., Bombay.
4. Shri P. G. Bhagat, General Manager, Messrs. Turner, Hoare & Co., Ltd., Bombay.
5. Shri B. Das, M.P.
- 6-7. Sarvashri N. Dandekar, Director, Messrs. Scindia Steam & Navigation Co. Ltd., Bombay and K. P. Shah, Manager, The India Steamship Co., Ltd., Calcutta.
8. Shri D. M. Desai, Director, Messrs. Hind Industrial & Mercantile Corporation, Bombay.
9. Shri Khandu Bhai Desai, M.P.
10. Shri N. V. Gadgil, M.P.
11. Shri B. C. Ghosh, M.P.
12. Shri K. Iswaran, Director, Messrs. Easun Engineering Co., Madras.
- 13-14. Sarvashri N. Kanungo and C. M. Sukhia representing the All-India Handicrafts Board, New Delhi.
- 15-16. Sarvashri P. Kotaiah, M.L.A. and M. Narasiah representing the Andhra State Handloom Weavers' Congress, Kurnool.
17. Shrimati Sucheta Kripalani, M.P.
18. Shri V. L. Mehta, Chairman, The All-India Khadi and Village Industries Board, Bombay.
- 19-23. Sarvashri S. Moolgaokar (Chairman), S. L. Kirloskar, K. Gopala Iyengar, P. C. Kapur and D. S. Mulla, representing the Engineering Capacity Committee, Ministry of Commerce & Industry, New Delhi.
24. Shri A. R. Mudaliar, M.P.
25. Shri P. Natesan, M.P.
26. Shri A. R. Palit, Managing Director, Messrs. A. R. Palit & Co., New Delhi.
27. Dr. (Mrs.) Seeta Parmanand, M.P.

28. Shri K. R. Patel, Director. Messrs. Associated Exports Imports Corporation, Calcutta.

29—31. Sarvashri M. K. Powala. W. F. Hayles and Dr. R. Deshmukh of the Tata Iron & Steel Co., Ltd., Calcutta.

32. Shri M. K. Rao, Managing Director, Eastern Bedaux Co., Ltd., Bombay.

33. Shri A. D. Shroff, Director, Messrs. Tata Industries, Bombay.

34-35. Sarvashri B. P. Singh—Roy, Vice-chairman and A. W. C. Smart of the India Steamship Co. Ltd., Calcutta.

36. Shri T. N. Singh, M.P.

II. Representatives of Trade & Industrial Associations

37—39. Sarvashri J. D. Bhan, S. C. Datta and C. G. Chandrasekhar representing the Indian Non-ferrous Metals Manufacturers' Association, Calcutta.

40—43. Sarvashri G. D. Binani, N. L. Kanoria, H. M. Jagtiani and T. R. Krishnaswami representing the Indian Chamber of Commerce, Calcutta.

44-45. Sarvashri B. M. Birla and R. G. Saraiya representing the Federation of Indian Chambers of Commerce & Industry, New Delhi.

46—48. Sarvashri P. C. Chanda, A. E. Faizullahbhoys and R. D. Vidyarthi, representing the Indian Paint Manufacturers Association, Calcutta.

49—51. Sarvashri A. L. Cooke, V. Calloway and M. L. Soni, representing the Upper India Chamber of Commerce, Kanpur.

52—54. Sarvashri P. Goffey, D. S. Birkbeck and F. C. Kidd, representing the Bengal Chamber of Commerce, Calcutta.

55. Shri W. Gananasambandam representing the Madras Provincial Handloom Weavers' Co-operative Society, Madras.

56-57. Sarvashri W. F. Howe and G. D. Butchart, representing the Indian Jute Mills Association, Calcutta.

58—60. Sarvashri D. N. Jalan, L. P. Misra and K. L. Chowdhary, representing the Engineering Association of India, Calcutta.

61—65. Sarvashri Ambalal Kilachand, N. H. Mapara, D. M. Desai, Nanak Motwani and A. C. Ramalingam, representing the Indian Merchants' Chamber, Bombay.

66—69. Sarvashri Dwarkanath Lele, T. B. Bhat, Pranlal Kapadia and N. C. Dave, representing the All-India Khadi & Village Industries Board, Bombay.

70—72. Sarvashri W. R. Monk, P. W. Archard and J. H. Nish, representing the Paint Federation, Calcutta.

73—75. Sarvashri Pranlal Devkaran Nanjee, S. K. Patil and A. C. Ramlingam, representing the Swadeshi League, Bombay.

76-77. Sarvashri Pranlal Patel and M. De Melo, representing the Engineering Association of India, Bombay.

78—81. Sarvashri Mohan Lal T. Shah, R. B. Shah, A. S. Venkateswaran and L. A. Bhatt, representing the Indian Chemical Manufacturers' Association, Bombay.

82—84. Sarvashri J. K. Srivastava, P. C. Kapur and R. Srivastava, representing the U. P. Chamber of Commerce, Kanpur.

85-86. Sarvashri K. R. Sundaram Iyer and K. A. Menon, representing the Southern India Chamber of Commerce, Madras.

87—89. Sarvashri J. Symon, Pratap Bhogilal Leherchand and L. A. Boulton, representing the Bombay Chamber of Commerce, Bombay.

90—94. Sarvashri M. J. Vaidya, N. D. Sahukar, Sankalchand G. Shah, D. M. Desai and Prabhu V. Mehta, representing the All-India Manufacturers Organisation, Bombay.

III. *Comptroller and Auditor General of India*

95. Shri H. N. Banerjee, Deputy Accountant-General (I & S), Calcutta.

96-97. Sarvashri A. K. Chanda, Comptroller and Auditor-General of India, and M. S. Ramayyar, Additional Deputy Comptroller and Auditor-General of India, New Delhi.

98-99. Sarvashri S. Gupta, Accountant-General, Food, Rehabilitation & Supply, and V. R. Mahadevan, Deputy Accountant General (I & S), New Delhi.

100. Shri R. P. Sarathy, Director, Defence Audit, New Delhi.

101. Shri S. Vaidyanathan, Deputy Accountant-General (I & S), Bombay.

IV. *Planning Commission*

102. Shri Jhaverbhai Patel, Officer on Special Duty (Cottage Industries), New Delhi.

V. *Officials of Central Purchase Organisations*

(A) *Directorate-General of Supplies & Disposals*

103. Shri F. Ashmore, Deputy Director General (Inspection), New Delhi.

104-105. Sarvashri S. C. Banerjee, Director and J. B. Mukerjee, Deputy Director of Inspection, Bombay.

106-107. Sarvashri T. G. Banerjee, *ex-Director* and S. N. Mukerjee, Offg. Director, Government Test House (Alipore), Calcutta.

108. Shri P. K. Chakrabutty, Officer on Special Duty (Rolling Stock), Calcutta.

109 Shri P. C. Chowdhury, Officer on Special Duty (Cottage Industries), New Delhi.

110. Shri S. N. Das Gupta, Deputy Director of Inspection, Kanpur.

111-112. Sarvashri P. S. Gupta, Deputy Director-General (Supplies) and J. G. Kumaramangalam, Deputy Director (Co-ordination), New Delhi.

113. Shri F. H. Nallaseth, Director of Supplies & Disposals, Bombay.

114. Shri K. K. Nathani, Offg. Deputy Director-General (Inspection), New Delhi.

115. Shri V. S. Rangasai, Deputy Director of Inspection, Madras.

116. Shri K. N. Rao, Deputy Director of Supplies & Disposals, Madras.

117. Shri R. N. Sarma, Director of Inspection, Calcutta

118. Bakshi Shiv Charan Singh, Director (Administration and Co-ordination), New Delhi.

(B) Other Central Purchase Organisations

119. Shri S. N. Chatterjee, Deputy Controller of Stationery, Calcutta.

120. Shri A. R. R. Deshpande, Director of Purchase, Office of the Textile Commissioner, Bombay.

121. Shri C. R. Natesan, Iron & Steel Controller, Calcutta.

122. Shri K. B. Rao, Director-General, India Store Department, London.

123. Shri C. A. Subrahmanyam, Controller of Printing and Stationery, New Delhi.

VI. Other Central Government Officials

(A) Ministry of Commerce and Industry

124-125. Sarvashri S. Bhoothalingam and L. K. Jha, Joint Secretaries, Ministry of Commerce & Industry, New Delhi.

126. Shri C. R. B. Menon, Director-General, Commercial Intelligence & Statistics, Calcutta.

127. Dr. A. Nagaraja Rao, Industrial Adviser, Ministry of Commerce & Industry, New Delhi.

128. Shri L. N. Renu, Director, Small-scale Industries, Ministry of Commerce & Industry, New Delhi.

129. Shri Jang Bir Singh, Industrial Adviser, Ministry of Commerce & Industry, New Delhi.

130. Dr. L. C. Varman, Director, Indian Standards Institution, New Delhi.

(B) Ministry of Communications

131. Shri H. L. Jerath, Director General, Posts & Telegraphs, New Delhi.

132. Shri B. C. Mukharji, Director, Indian Airlines Corporation, New Delhi.

133. Shri T. N. Ranga Rao, P. & T. Liaison Officer with the Directorate General of Supplies & Disposals, New Delhi.

134-135. Sarvashri M. B. Sarangapani, Chief Controller of Telegraph Stores and P. S. M. Sundaram, General Manager, Posts & Telegraph Workshops, Calcutta.

(C) Ministry of Defence

136. Lt. Col. R. S. Biji, Chief Liaison Officer (Defence) with the Directorate-General of Supplies & Disposals, New Delhi.

137. Shri K. K. Framjee, Director-General, Ordnance Factories, Calcutta.

138—140. Col. P. L. Kapoor, Col. A. N. Kapoor and Dr. T. S. Subramanian, representing the Technical Development Establishments, Kanpur.

141. Col. R. G. Naidu, Commandant, Central Ordnance Depot, Kanpur.

142. Shri M. K. Vellodi, Secretary, Ministry of Defence, New Delhi.

143. Major-General H. Williams, Engineer-in-Chief, Army Headquarters, New Delhi.

(D) Ministry of Finance

144. Shri A. K. Roy, Senior Member, Central Board of Revenue, New Delhi.

(E) Ministry of Health

145. Shri P. M. Nabar, Drugs Controller (India), New Delhi.

(F) Ministry of Irrigation & Power

146. Shri Kanwar Sain, Chairman, Central Water & Power Commission, New Delhi.

(G) Ministry of Law

147—149. Sarvashri K. Y. Bhandarkar, Secretary, Ministry of Law, G. H. Rajadhaksha, Officer on Special Duty (Litigation) and G. A. Shah, Deputy Secretary (Law) with the Directorate-General of Supplies and Disposals, New Delhi.

(H) Ministry of Railways

150. Shri Anise Ahmed, Controller of Stores, Central Railway, Bombay.

151. Shri F. C. Badhwar, Chairman, Railway Board, New Delhi.

152. Shri S. Chakravarty, Deputy Chief Mechanical Engineer, Eastern Railway, Calcutta.

153. Shri H. P. Hira, General Manager, Central Railway, Bombay.

154-155. Sarvashri T. A. Joseph, General Manager and A. Ramchandra Rao Deputy General Manager, Southern Railway, Madras.

156. Shri K. P. Mushran, General Manager, Western Railway, Bombay.

157. Shri K. Ramachandran, Chief Mechanical Engineer, Eastern Railway, Calcutta.

158. Shri A. R. Sarin, Controller of Stores, Western Railway, Bombay.

159. Shri P. N. Talati, Controller of Stores, Southern Railway, Madras.

160. Shri R. S. Tripathi, Railway Liaison Officer with the Directorate-General of Supplies and Disposals, New Delhi.

(I) Ministry of Works, Housing and Supply

161-162. Sarvashri S. Ranganathan, Joint Secretary and T. C. Puri, Deputy Secretary, Ministry of Works, Housing and Supply, New Delhi.

163-164. Sarvashri J. M. Rijhwani, Addl. Chief Engineer, and H. P. Chatterjee, Superintending Engineer (Electrical), Central Public Works Department, New Delhi.

VII. State Government Officials

165. Dr. S. N. Ganguli, Director of Industries, West Bengal, Calcutta.

166. Shri P. Govinda Menon, Joint Director of Industries, Madras.

167. Shri D. G. Mulherkar, Director of Industries, Bombay.

168. Shri M. P. Pai, Member, Board of Revenue, Andhra, Kurnool.



सत्यमेव जयते

APPENDIX VI

PARTICULARS OF VISITS AND MEETINGS

S. No.	Date	Place	Particulars
1	19-3-53	New Delhi	(a) Inaugural Session. (b) Committee Meeting.
2	27-3-53	Do.	Committee Meeting.
3	28-3-53	Do.	Do.
4	30-3-53	Do.	Do.
5	2-4-53	Do.	Do.
6	14-4-53	Do.	Do.
7	15-4-53	Do.	Do.
8	17-4-53	Do.	Do.
9	22-4-53	Do.	Do.
10	12-5-53	Do.	Do.
11	19-5-53	Do.	Visit to the Office of the Director-General (Supplies & Disposals).
12	20-5-53	Do.	Visit to the Office of the Development Wing of the Ministry of Commerce & Industry.
13	22-5-53	Do.	Visit to the Office of the Master-General of Ordnance, Army Headquarters, India.
14	25-5-53	Do.	Committee Meeting.
15	29-5-53	Do.	Do.
16	10-6-53	Bombay	Visit to the Offices of— (i) the Director of Supplies & Disposals, (ii) the Director of Inspection, (iii) the Textile Commissioner and (iv) the Naval Stores Depot.
17	11-6-53	Do.	Visit to the Stores Depot and the Carriage and Wagon Workshop, Western Railway.
18	13-6-53	Poona	Visit to (i) the Ammunition Factory (ii) the National Chemical Laboratory, and (iii) the National Defence Academy.
19	22-6-53	Calcutta	Visit to (i) the Offices of the Director of Supplies & Disposals and the Director of Inspection and (ii) the Government Test House.
20	23-6-53	Do.	Visit to the Signal Stores Depot and the Air Craft Signal Stores Depot.
21	24-6-53	Do.	Visit to (i) the P. & T. Workshop, (ii) the Telegraph Stores Depot, (iii) the Office of the Iron and Steel Controller and (iv) the Office of the Damodar Valley Corporation.
22	25-6-53	Do.	Visit to Messrs. Burn & Co. (Works) and Messrs. Guest, Keen, Williams, Ltd., (Works).
23	22-7-53	New Delhi	Visit to the Office of the Accountant-General (Food, Rehabilitation & Supply).
24	23-7-53	Do.	Visit to the Ministry of Food Agriculture (Purchase Organisation).
25	6-8-53	Do.	Committee Meeting.
26	24-8-53	Do.	Evidence Session.
27	26-8-53	Do.	
28	28-8-53	Do.	
29	29-8-53	Do.	
30	1-9-53	Do.	

S. No.	Date	Place	Particulars
31*	4-9-53	Kanpur . . .	} Evidence Session (Also visit to the Technical Development Establishments).
32	5-9-53	Do. . . .	
33	14-9-53	Bombay . . .	} Evidence Session.
34	15-9-53	Do. . . .	
35	16-9-53	Do. . . .	
36	17-9-53	Do. . . .	
37	18-9-53	Do. . . .	} Evidence Session.
38	21-9-53	New Delhi . . .	
39	22-9-53	Do. . . .	
40	23-9-53	Do. . . .	
41	28-9-53	Calcutta . . .	} Evidence Session.
42	29-9-53	Do. . . .	
43	30-9-53	Do. . . .	
44	1-10-53	Do. . . .	
45	3-10-53	Do. . . .	} Committee Meeting.
46	29-12-53	New Delhi . . .	
47	4-1-54	Do. . . .	} Evidence Session.
48	5-1-54	Do. . . .	
49	6-1-54	Do. . . .	
50	7-1-54	Bombay . . .	Visit to the Offices of the Director of Supplies and Disposals and the Director of Inspection.
51	8-1-54	Do. . . .	Visit to the Disposal Depot, Kandivli and the Office of the Director of Purchase (Textiles).
52	9-1-54	Do. . . .	Visit to the Naval Stores Depot.
53	14-1-54	New Delhi . . .	} Evidence Session.
54	15-1-54	Do. . . .	
55	16-1-54	Do. . . .	
56	18-1-54	Calcutta . . .	Visit to the Offices of the Director of Supplies and Disposals and Director of Inspection.
57	19-1-54	Do. . . .	Visit to the Signal Stores Depot and the 'Reparations' Depot.
58	20-1-54	Do. . . .	Visit to the Government Test House and P. & T. Workshop.
59	27-1-54	New Delhi . . .	} Evidence Session.
60	28-1-54	Do. . . .	
61	1-2-54	New Delhi . . .	Committee Meeting.
62	2-2-54	Do. . . .	Committee Meeting.
63	8-2-54	Madras . . .	} Evidence Session (also visit to the Medical Stores Depot).
64	9-2-54	Do. . . .	
65	10-2-54	Do. . . .	
66	20-2-54	New Delhi . . .	Committee Meeting.
67	22-2-54	Do. . . .	Visit to the Office of the Director General (Supplies & Disposals).
68	23-2-54	Do. . . .	Committee Meeting.
69	24-2-54	Do. . . .	Meeting for evidence.
70	27-2-54	Do. . . .	Committee Meeting.
71	28-2-54	Do. . . .	Do.
72	1-3-54	Do. . . .	Do.

S. No.	Date	Place	Particulars
73	4-3-54	New Delhi	Meeting for evidence.
74	6-3-54	Do.	Committee Meeting.
75	7-3-54	Do.	Do.
76	8-3-54	Do.	Meeting for evidence.
77	9-3-54	Do.	Committee Meeting.
78	10-3-54	Do.	Do.
79	11-3-54	Do.	Do.
80	12-3-54	Do.	Meeting for evidence.
81	13-3-54	Do.	Committee Meeting.
82	15-3-54	Do.	Do.
83	16-3-54	Do.	Do.
84	17-3-54	Do.	Do.
85	18-3-54	Do.	Meeting for evidence.
86	27-3-54	Do.	Committee Meeting.
87	30-3-54	Do.	Do.
88	31-3-54	Do.	Do.
89	1-4-54	Do.	Do.
90	2-4-54	Do.	Do.
91	3-4-54	Do.	Do.
92	4-4-54	Do.	Do.
93	5-4-54	Do.	Do.
94	6-4-54	Do.	Do.
95	7-4-54	Do.	Do.
96	8-4-54	Do.	Committee Meeting.
97	9-4-54	Do.	Do.
98	11-4-54	Do.	Do.
99	12-4-54	Do.	Do.
100	14-4-54	Do.	Do.
101	20-4-54	Do.	Do.
102	21-4-54	Do.	Do.
103	22-4-54	Do.	Do.
104	23-4-54	Do.	Do.
105	24-4-54	Do.	Evidence Session.
106	26-4-54	Do.	
107	28-4-54	Do.	Committee Meeting.
108	29-4-54	Do.	Do.
109	30-4-54	Do.	Do.
110	1-5-54	Do.	Do.
111	3-5-54	Do.	Do.
112	10-5-54	Do.	Do.
113	11-5-54	Do.	Do.
114	12-5-54	Do.	Do.
115	21-5-54	Do.	Do.
116	13-7-54	Do.	Do.
117	19-7-54	Do.	Sub-Committee Meeting.
118	20-7-54	Do.	Do.
119	21-7-54	Do.	Do.
120	22-7-54	Do.	Do.
121	23-7-54	Do.	Do.
122	27-7-54	Do.	Do.
123	29-7-54	Do.	Committee Meeting.
124	30-7-54	Do.	Sub-Committee Meeting.
125	31-7-54	Do.	Do.
126	2-8-54	Do.	Do.

S. No.	Date	Place	Particulars.
127	3-8-54	New Delhi	Sub-Committee Meeting.
128	4-8-54	Do.	Do.
129	5-8-54	Do.	Do.
130	6-8-54	Do.	Do.
131	7-8-54	Do.	Do.
132	9-8-54	Do.	Do.
133	10-8-54	Do.	Do.
134	11-8-54	Do.	Do.
135	12-8-54	Do.	Do.
136	13-8-54	Do.	Do.
137	14-8-54	Do.	Committee Meeting.
138	16-8-54	Do.	Sub-Committee Meeting
139	17-8-54	Do.	Do.
140	18-8-54	Do.	Do.
141	20-8-54	Do.	Do.
142	23-8-54	Do.	Do.
143	24-8-54	Do.	Do.
144	25-8-54	Do.	Do.
145	26-8-54	Do.	Do.
146	27-8-54	Do.	Do.
147	28-8-54	Do.	Do.
148	30-8-54	Do.	Do.
149	31-8-54	Do.	Do.
150	1-9-54	Do.	Do.
151	2-9-54	Do.	Do.
152	3-9-54	Do.	Do.
153	4-9-54	Do.	Do.
154	10-9-54	Bombay	Committee Meeting.
155	11-9-54	Do.	Do.
156	12-9-54	Do.	Do.
157	13-9-54	Do.	Do.
158	14-9-54	Do.	Committee Meeting
159	15-9-54	Do.	Do.
160	30-9-54	New Delhi	Sub-Committee Meeting
161	8-10-54	Do.	Do.
162	15-10-54	Do.	Do.
163	22-10-54	Do.	Do.
164	29-10-54	Do.	Committee Meeting
165	30-10-54	Do.	Sub-Committee Meeting
166	1-11-54	Do.	Do.
167	2-11-54	Do.	Do.
168	3-11-54	Do.	Do.
169	4-11-54	Do.	Do.
170	5-11-54	Do.	Committee Meeting
171	8-11-54	Do.	Sub-Committee Meeting.
172	16-11-54	Do.	Do.

S. No.	Date	Place	Particulars
APPENDIX No. 4—(Contd)			
173	19-11-54	New Delhi	Sub-Committee Meeting.
174	23-11-54	Do.	Do.
175	29-11-54	Do.	Do.
176	3-12-54	Do.	Do.
177	4-12-54	Do.	Do.
178	6-12-54	Do.	Do.
179	7-12-54	Do.	Do.
180	8-12-54	Do.	Do.
181	10-12-54	Do.	Do.
182	11-12-54	Do.	Do.
183	14-12-54	Do.	Do.
184	16-12-54	Do.	Do.
185	17-12-54	Do.	Do.
186	18-12-54	Do.	Do.
187	21-12-54	Do.	Do.
188	22-12-54	Do.	Do.
189	23-12-54	Do.	Do.
190	24-12-54	Do.	Meeting for evidence
191	27-12-54	Do.	Sub-Committee Meeting
192	28-12-54	Do.	Do.
193	29-12-54	Do.	Do.
194	30-12-54	Do.	Do.
195	31-12-54	Do.	Do.
196	3-1-55	Do.	Do.
197	4-1-55	Do.	Do.
198	5-1-55	Do.	Do.
199	6-1-55	Do.	Committee Meeting
200	7-1-55	Do.	Sub-Committee Meeting
201	10-1-55	Do.	Committee Meeting
202	11-1-55	Do.	Do.
203	12-1-55	Do.	Do.
204	13-1-55	Do.	Do.
205	14-1-55	Do.	Do.
206	15-1-55	Do.	Do.
207	29-1-55	Do.	Do.
208	31-1-55	Do.	Sub-Committee Meeting
209	3-2-55	Do.	Committee Meeting
210	4-2-55	Do.	Do.
211	5-2-55	Do.	Do.
212	8-2-55	Do.	Do.
213	9-2-55	Do.	Do.
214	10-2-55	Do.	Do.
215	11-2-55	Do.	Do.
216	12-2-55	Do.	Do.
217	15-2-55	Do.	Do.
218	17-2-55	Do.	Do.
219	18-2-55	Do.	Do.

S. No.	Date	Place	Particulars
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APPENDIX No. 4.—*contd.*

220	19-2-55	New Delhi	Committee Meeting
221	21-2-55	Do.	Do.
222	24-2-55	Do.	Do.
223	25-2-55	Do.	Do.
224	2-3-55	Do.	Do.
225	3-3-55	Do.	Do.
226	4-3-55	Do.	Do.
227	10-3-55	Do.	Do.
228	12-3-55	Do.	Do.
229	14-3-55	Do.	Do.
230	15-3-55	Do.	Do.

APPENDIX 7

PURCHASES MADE IN INDIA BY THE INDIAN STORES DEPARTMENT AND ITS SUCCESSOR ORGANISATIONS

Year	Purchases of indigenous products	Purchases of imported stores	Total purchases	Percentage of (2) to (4)
1	2	3	4	5
			(In lacs of rupees)	
1931-32	N.A.	N.A.	3,60	..
1932-33	N.A.	N.A.	3,31	..
1933-34	N.A.	N.A.	3,60	..
1934-35	N.A.	N.A.	4,76	..
1935-36	N.A.	N.A.	5,59	..
1936-37	N.A.	N.A.	6,49	..
1937-38	4,35	3,53	7,89	55.3
1938-39	5,58	3,19	8,77	63.6
1939-40	21,13	6,90	28,03	75.4
1940-41 to 1945-46	N.A.	N.A.	N.A.	N.A.
1946-47	18,11	9,96	28,07	64.51
1947-48	34,39	12,24	46,63	73.8
1948-49	55,58	21,87	77,45	71.8
1949-50	48,15	22,22	70,37	68.4
1950-51	64,62	28,00	92,62	69.8
1951-52	66,43	47,51	1,13,94	58.3
1952-53	46,28	36,98	83,26	55.6
1953-54	38,09	27,77	65,86	57.8

'N.A.' denotes 'Not Available'.

[Information furnished by the Directorate General (S&D)].

APPENDIX 8

SCHEDULE OF FUNCTIONS OF PURCHASE AND DEVELOPMENT BOARD
FUNCTIONS

(1) To advise on the most effective methods for implementing the Central purchase policy as an instrument for industrial development and itself to authorise the Director-General (S & D) to issue policy directives in suitable cases. (Paragraph No. 4.4.)

(2) To advise on any other matters of purchase policy or any procedural or organisational matters, with a view to improving the effectiveness of the Central Purchase Organisation. It will also have the power itself to authorise the Director-General (S & D) to issue policy, procedural or organisational directives in suitable cases. (Paragraph 4.4.)

(3) To advise the departments undertaking direct purchases, as well as Government Corporations; on general matters of policy and the scope of such direct purchases. Individual purchase cases of importance may also be referred to the Board by Departments or Corporations and the Board will offer its advice in such cases. (Paragraph 4.4.)

(4) To advise on all cases of purchases having unusual features which may be referred to the Board by the Director General (S & D) or such other cases as are beyond the Director General's powers, e.g., cases relating to price preference margins, waiving of Liquidated Damages, etc. [The contracts in such cases will continue to be executed by the Director General (S & D)]. (Paragraph 4.4.)

(5) To keep under constant review Government's purchases abroad, with a view to ensuring that no purchases are made abroad of any items which can be produced indigenously and also with a view to developing capacity in the country for the future production of such items. (Paragraph 4.4.)

(6) To undertake periodically a review of the principles followed by indenting departments in formulating their indents, with a view to ensuring economy in outlay and better development of indigenous capacity. (Paragraph 4.4.)

(7) To advise on purchases in excess of the purchase powers of the Purchase Missions in London and Washington which are referred under the rules, in force, to the Ministry. (Paragraph 4.4.)

(8) To review the existence of surpluses which come to notice, either as a result of an actual declaration by the stock-holding department, or in the process of reviewing an indent for the store or as a result of defective indenting, or delayed declaration of surpluses or any other co-related matter. (Paragraphs 4.4. and 13.8.)

(9) To review the working of the Central Purchase Organisation with a view to consider transfer of additional stores, including specialised items from indenting departments to the Central Purchase Organisation for procurement. (Paragraph 3.3.)

(10) To advise on proposals for direct purchase of equipment and stores by a major project other than an industrial or a river valley project. (Paragraph 3.7.)

(11) To compile a list of items the development of which should be sponsored urgently and to explore the possibility of making long-term arrangements with prospective indigenous manufacturers. (Paragraph 5.6.)

(12) To co-ordinate developmental activity on proposals sponsored by Government departments for indigenous manufacture. (Paragraph 5.7.)

(13) To prepare a list of items in respect of which the general price preference of 15 per cent to indigenous products need be raised to 25 per cent. (Paragraph 5.9.)

(14) To advise purchase authorities on suitable action to be taken in cases where a decision purely on the basis of lowest quotations received is likely to result in virtual extinction of an industrial unit. (Paragraph 5.17.)

(15) To scrutinise large-valued indents through a standing committee with a view to avoid overstocking of stores in indentors' depots. (Paragraph 7.5.)

(16) To review periodically the schedules of powers delegated to officers at various levels in indenting departments for approval of demands. (Paragraph 7.7.)

(17) To review the working of the arrangements made by the Central Purchase Organisation in regard to programme for receipt of indents. (Paragraph 7.11.)

(18) To examine "urgent" indents which may be referred to by the Central Purchase Organisation and to suggest remedial measures to indenting departments for reducing the number of such indents. (Paragraph 7-16.)

(19) To advise on cases referred to by the Central Purchase Organisation in regard to purchase of alternative 'makes' against indents for proprietary stores. (Paragraph 7.19.)

(20) To arrange for the preparation of a comprehensive vocabulary of stores required by various indenting departments. (Paragraph 7.25.)

(21) To review periodically the working of the proposed system of issuing limited tenders in the case of demands below Rs. 10,000 in value (Paragraph 8.11.)

(22) To prepare a list of items where purchases should be restricted to specified 'makes' and 'brands' and also arrange for trials of new products or brands. (Paragraph 8.36.)

(23) To advise on cases referred to by the Central Purchase Organisation in regard to purchase of large-valued spare parts. (Paragraph 8.40.)

(24) To review periodically cases involving major deviations from the General Terms and Conditions of Contract. (Paragraph 11.2.)

(25) To review the list of stores to be inspected by the Central and Departmental Inspection Agencies. (Paragraph 12.4.)

APPENDIX 9

FOREIGN PURCHASES—IMPORTED STORES SCREENING COMMITTEE, MINISTRY OF DEFENCE

January 1949 to May 1953

Stores	Number of imported items required	Number of items considered suitable for indigenous production by the committee	Number of items for which indigenous capacity was traced
Signal stores	44,152	3,046	2,881
General stores and clothing (equipment)	13,077	1,136	1,104
Medical stores and appliances	2,711	364	364
Engineer stores	520	143	119
Engineer (Ordnance supply) stores	19,296	1,213	1,213

[Information furnished by the Ministry of Defence.]

APPENDIX 10

FOREIGN PURCHASES—SCREENING BY THE DIRECTORATE-GENERAL OF SUPPLIES AND DISPOSALS OR DIRECT DEFENCE PURCHASE,

January 1952 to March 1953

Particulars of indents			Results of the examination of 'investigation' copies of Defence indents sent abroad			
No. of indents	No. of indent items	Value in thousands of rupees	Results	No. of indents	No. of items in indents	Value in thousands of rupees
2,945	30,431	6,83,85	(i) Indentors advised to cancel their indents placed abroad and to procure stores from ;			
			(a) Indigenous sources	39	184	1,1
			(b) Agents in India for imported stores	32	166	1,59
			(ii) Indentors advised to place future demands with the Directorate-General of Supplies and Disposals for procurement from ;			
			(a) Indigenous sources	40	344	17,10

(b) Agents in India for imported stores	155	1,059	1,733
(iii) Indentors advised to place 'trial' de- mands on the Directorate-General of Supplies and Disposals for ex- ploring supplies from :			
(a) Indigenous sources	2	2	20
(b) Agents in India for imported stores	1	6	7

[Information furnished by the Directorate-General (S&D).]

APPENDIX 11

PURCHASES FROM COTTAGE AND SMALL-SCALE INDUSTRIES SUGGESTED RESERVATION

1. Raw Hides.
2. Padlocks.
3. Brass Dampers.
4. Metal Boxes.
5. Fish Forks.
6. Hose Clips for general use.
7. Paper Weights.
8. Scissors.
9. Road Signs.
10. Cooking Utensils (excluding Aluminium Ware).
11. Bee's Wax.
12. Candles.
13. Steel Trunks and Suitcases.
14. Metal Buttons.
15. Call Bells.
16. Mild Steel Hold-fasts.
17. Hat Hooks.
18. Canes and Cane-wool.
19. Hand-made paper.
20. Bamboo Handles.
21. Knives.
22. Sea-shells.
23. Stone Rollers.

24. Sweepers' Brooms.
25. Bamboo Mats.
26. Cane Baskets.
27. Dustbins.
28. Postal Seals.
29. Dusters.
30. Bandage Cloth.
31. Gauze and Jacanet Cloth.
32. Badges (cloth, embroidered or metal).
33. Lungies and Dhoties.
34. Table Cloth.
35. Handloom Fabrics (cotton and woollen).
36. Durries (cotton and woollen).
37. Bastanies.
38. Sponge and cleaning cloth.
39. Cumblies.
40. Coir.
41. Druggets.
42. Fringes.
43. Kullahs.
44. Nets.
45. Charpoys.
46. Wooden keys.
47. Furniture (wood-ware).
48. Bell Pushers.
49. Bamboo Ladders.
50. Wooden Ladders.
51. Tent Poles (wooden).
52. Khaddar.



APPENDIX 12

WORKING OF THE INDIA STORE DEPARTMENT, LONDON

Regional Stores Purchase Committee's Report Summary of major recommendations

(1) A large variety of stores in demand are not available 'off the shelf' and have to be manufactured (or assembled) to order. Indentors should, therefore, plan their indents well in advance, allowing the India Store Department sufficient time to arrange supply.

(2) Certain types of equipment become obsolete quickly and it becomes difficult to procure spares and parts. When placing indents for such equipment, indentors should, as far as possible, place demands for spares required for the 'life' of the equipment. While ordering additional spares for such equipment, demands should cover requirements for the rest of the 'life' of the equipment.

(3) For effective screening of demands for stores of foreign origin, an 'Imported Stores Screening Committee' consisting of full-time representatives of the Directorate General of Supplies and Disposals and the Defence Ministry should be set up for examining indents placed abroad. The representatives on this Committee should not be changed frequently. The Screening Committee should also examine the possibility of acquiring components locally.

(4) Indentors should prepare their indents with due regard to the availability of stores. They should not ask for models and types which are old or out of date. Likewise, estimates of prices given in the indents should be realistic.

(5) In the case of rejections, consignees should furnish full reasons for rejecting the stores supplied.

(6) Incomplete indents on which procurement action cannot be taken without back reference should be returned to the indentors pointing out omissions where possible.

(7) In the case of indents less than £30 in value, officers up to the level of Deputy Directors-General should be authorised to effect purchases across the counter, i.e., without the formality of having to invite tenders.

(8) In cases where an indentor asks for a specific 'brand' or 'make' and the Director-General, India Store Department, London, finds that similar stores are available also from other sources, the fact should be brought to the notice of the indenting officer. The India Store Department should invite competitive tenders except where an indentor clearly states in the indent itself that the specific 'make' mentioned, and nothing else, should be supplied.

(9) In the case of contracts with price variation clause, provisional payment should be made at contract rates or claimed prices, whichever is less, leaving final adjustment to be made later.

(10) Transit insurance should cover all risks from F.O.B. point to final destination in India without increase in the present levy for instance. This should be tried for two years in the first instance.

(11) Consignees should prefer claims for compensation within two months from the date of receipt of consignments. Any claims preferred thereafter should not be considered. Where according to the terms of the contract claims for damage require to be supported by a Surveyor's Certificate or other documentary evidence, such evidence should be furnished by the consignee within a fortnight of preferring the claim.

(12) Fifty per cent of the staff recommended in the Grades of Executive Officers and below should be made permanent. All posts of Deputy Directors and Directors should also be made permanent.

(13) Fifteen per cent of the staff in the Clerical and Executive Officer's Grades should be filled by persons deputed from India.

(14) Suitable technical personnel should be deputed from Government organisations in India for arriving out inspection of stores.

APPENDIX 13

WORKING OF THE INDIA SUPPLY MISSION, WASHINGTON

Regional Stores Purchase Committee's Report Summary of major recommendations

(1) All commercial references received by the India Supply Mission should be transferred to Consulates-General at New York and San Francisco except where the matter has to be taken up with the Federal Departments and Agencies of the U.S. Government, in which case, the Director, India Supply Mission, should function as Commercial Counsellor.

(2) Progressive Indianisation in the upper ranks of the staff should be undertaken. The India Supply Mission personnel should be eligible for inclusion in the cadre of the Director-General of Supplies & Disposals. The two posts of Deputy Directors and two posts of Assistant Directors should be made permanent and should be added to the cadre of the Director-General of Supplies and Disposals.

(3) No departmental inspection unit need be established due to the large variety of purchases made by the India Supply Mission and the obvious limitations of such an agency which can at best inspect only a limited range of stores.

(4) Shipping arrangements should be made departmentally as at present, except for smaller consignments where contracts could be placed on C & F basis at the discretion of the Director, India Supply Mission.

(5) As far as possible, indentors should indicate 'American Standard Specification' and not 'British Standard Specification'.

(6) Indentors should plan and consolidate their demands on a yearly basis and avoid, as far as possible, 'ad hoc' indents.

(7) Indentors should desist from placing 'petty' indents.

(8) For stores valued up to \$100, the Director, India Supply Mission, should be authorised to purchase across the counter, i.e., without the formality of having to invite tenders.

(9) Indentors, while indenting for equipment, should also indent for basic spares for the full anticipated period of its operation.

(10) Except for small purchases which should be made through agents in India, the question of utilising the services of the India Supply Mission for purchase of proprietary stores, in preference to placing contracts on agents in India, should be carefully considered; the India Supply Mission is often likely to buy such stores more economically. In the case of non-proprietary stores in particular, purchase through the India Supply Mission should be considered.

(11) With due regard to the purchases made during the last three years and the expenditure incurred on the establishment, the Ministry of Works, Housing and Supply should fix departmental charges for services by the India Supply Mission under (a) purchase (b) inspection and (c) post-contract services in regard to contracts placed by other authorities.

APPENDIX 14
PROGRAMME INDENTS

Position in regard to Railway 'Programme' indents received in the Directorate-General of Supplies and Disposals during 1952-53 and 1953-54

Particulars	1952-53	1953-54
	No. of indents	No. of indents
(i) Received according to the programme	257 (19.5%)	108 (8.9%)
(ii) Received with a delay of less than one week	281 (21.4%)	140 (11.4%)
(iii) Received with a delay of one to four weeks	372 (28.3%)	175 (14.3%)
(iv) Received with a delay of more than four weeks	406 (30.8%)	802 (65.4%)
	<u>1,316</u>	<u>1,225</u>

[Information furnished by the Directorate-General (S&D).]

APPENDIX 15

'PROGRAMME' AND 'AD HOC' INDENTS

Position in regard to Railway demands placed on the Directorate-General of Supplies and Disposals during 1952-53 and 1953-54

	1952-53	1953-54
(i) (a) 'Programme' indents	1,316	1,225
(b) 'Programme' indents—'Supplementary' demands	117	81
(ii) 'Ad hoc' indents	1,828	1,129
(iii) Percentage of (ii) to (i)	128	86

[Information furnished by the Directorate-General (S&D).]

APPENDIX 16

RUSH OF INDENTS TOWARDS THE CLOSE OF FINANCIAL YEAR—EXAMPLES

Serial No.	Stores	Date of receipt of indent	Delivery stipulated in the indent	Period allowed by indenter for procurement	Normal period required to arrange supply
1	Hospital equipment	6-2-53	28-2-53	22 days	Three months.
2	Electric Motors	3-3-53	1-3-53	days	Three months.
3	Weighing Machines (platform)	4-3-53	7-3-53	3 days	Six to nine months
4	Grey woollen Jerseys	5-3-53	15-2-53	..	Three months.
5	Turpentine Oil	6-3-53	15-3-53	9 days	Two months.
6	Transmitting Valves	6-3-53	31-3-53	25 "	Four months.
7	Cine Camera	7-3-53	23-3-53	16 "	Three to four months
8	Land Rovers	16-3-53	31-3-53	15 "	Three months.
9	Station Wagon	21-3-53	31-3-53	10 "	Two months.
10	All steel standard Vanguard Estate Car	25-3-53	31-3-53	6 "	Two months.

[Information furnished by the Directorate-General of Supplies and 'Disposals.]]

APPENDIX 17

CLARIFICATION OF INDENT PARTICULARS

Position in regard to indents received in the Directorate General of Supplies and Disposals during the months of March, August and November, 1952

(A) (i) The number of indent items dealt with	10,625
(ii) The number of indent items involving reference to the indenting departments	1,340
(iii) Percentage of (ii) to (i)	12.6
(B) Time-lag between receipt of indents and clarification sought from indenting departments on indent particulars	Number of Indent items
(i) Less than one week	446 (33.28%)
(ii) Between one and two weeks	429 (32.02%)
(iii) Between two and four weeks	341 (25.45%)
(iv) Over four weeks	124 (9.25%)
TOTAL	1,340
(C) Time-lag between date of reference and clarification received from indenting departments on indent particulars	Number of Indent items
(i) Less than two weeks	503 (39.58%)
(ii) Between two and four weeks	387 (30.45%)
(iii) Between four and eight weeks	234 (18.41%)
(iv) Over eight weeks	147 (11.56%)
TOTAL	1,27*

(* No clarification was received in respect of 69 items.)
[Information furnished by the Directorate-General (S&D)].

APPENDIX 18

INCOMPLETE INDENT PARTICULARS—EXAMPLES

Store	Missing Details
1. Electric Motors	Nature of electric supply. Speed required. Purpose for which motor is required whether direct coupled, etc. Type of motor.
2. Pumping Sets	Duty conditions, e.g., total head, suction head and purpose for which the pump is required—whether for pumping dirty water or clear water, etc. In case of centrifugal pumps, whether horizontal split or vertical split, single stage or multi-stage, etc. Whether directly coupled to the prime mover or belt driven. Nature of electric supply, if motor-driven.
3. Engines	Site conditions, viz., altitude and ambient temperatures Portable or stationary type. Speed.

4. Batteries Ampere-hour capacity.
Duty required
Overall dimensions and container particulars.
Type of battery, viz., alkaline, lead acid, signalling or traction.
 5. Cables Cores.
Insulation.
Finish.
Voltage grade.
In case of power cables, whether earthed or unearthed system.
 6. Overhead Tanks Whether open top or covered top.
Whether any partition plate is required.
Number of man-holes.
Whether ladder and water-level indicators are required.
Size and position of inlet, outlet and other connections.
 7. Castings Whether cast iron or cast steel and the quality and grade to which it should conform.
In case of cast steel, class and grade of the casting.
 8. Ceiling Fans In case of A.C. Fans, whether capacitor or ordinary type.
Length of down-rod.
Regulator and other attachments.
 9. Fire Bricks Maximum temperature which the bricks are required to withstand.
 10. Wire Ropes Quality of steel.
Breaking strength.
Whether galvanised or otherwise.
Constructional details.
Circumference or diameter.
 11. Screw Jacks Type, capacity and height when placed.
Height when fully opened.
Maximum lift.
Traversing or otherwise.
Length of traverse.
Material for body and screw.
 12. Phowrahs, Beaters and Shovels. Weight.
Dimensions.
Drawing reference.
 13. Chemicals Percentage of purity and undesirable elements.
 14. Brass and Copper Sheets Quality, viz., hard, half-hard or annealed.
 15. Non-ferrous Metals Alloys and Sections. Composition.
Purity percentage.
Range of the percentage composition. For example, in phosphor bronze tin is often specified per cent ; the correct method should be to specify it in a range from to percent or alternatively minimum or maximum.
Physical properties.
Whether rolled, extruded or cast.
-

16. Hexagonal Bars . . . Material specifications.
Width across flats or nut size.
17. Scientific Instruments . . . Rating.
Capacity.
Use for which required.
Catalogue reference.
18. Textiles (i) Cloth . . . Type of finish.
Whether bleached or unbleached.
Width of material.
Nature of dye.
Degree of fastness of colour.
- (ii) Hand-made items. Drawings.
Samples
- (iii) Ropes . . . Type of fibre, i.e., cotton, woollen, jute, hessian, manilla
etc.
Circumference.
- (iv) Woollen items Colour
Samples of particular shade required.
- (v) Hosiery items Assortment of sizes of socks, jerseys, etc.

[Information furnished by the Directorate-General (S&D).]



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APPENDIX 19

UNREALISTIC ESTIMATES OF PRICES—EXAMPLES

(A) Cases where estimated rates were lower than the contract rates

Store	Estimated Rate/ Value	Contract Rate/ Value	Difference between 3 and 2	Relation between 2 and 3 (Approx.)
(1)	(2)	(3)	(4)	(5)
1. Crank-shaft for Air Compressor	Rs. a. p. 1 8 0	Rs. a. p. 1,026 0 0	Rs. a. p. 1,024 8 0	1 : 684
2. Steel Flue-tubes	6 0 0	129 6 8	123 6 8	1 : 21
3. Tape for roof-stays of Fire Box size 1½	15 0 0	305 0 0	290 0 0	1 : 20
4. Brush Control Boxes	2,375 0 0	37,825 0 0	35,450 0 0	1 : 16
5. Spares for Broom-wade Pneumatic Tools	3,500 0 0	46,500 0 0	43,500 0 0	1 : 13
6. Hydraulic Jacks	1,000 0 0	13,588 0 0	12,588 0 0	1 : 13
7. Hand Dies	5 0 0	53 0 0	58 0 0	1 : 13
8. Spares for riveting equipment	5,000 0 0	59,638 0 0	54,638 0 0	1 : 12
9. Link and Hole Grinder	11,000 0 0	1,25,820 0 0	1,14,820 0 0	1 : 11
10. Spares for Crane	5,423 0 0	51,623 0 0	46,200 0 0	1 : 9
11. Cloth Drab Mixture	2 3 0	18 8 0	16 5 0	1 : 8

APPENDIX 19—contd.

(B) Cases where estimated rates were higher than the contract rates

Store	Estimated Rate/Value	Contract Rate/Value	Difference between 3 and 2	Relation between 2 and 3 (approx.)
(1)	(2)	(3)	(4)	(5)
12. Rings Glut	Rs. a. p. 16,500 0 0	Rs. a. p. 4,950 0 0	Rs. a. p. 11,550 0 0	1 : 3
13. Cables, P. I. L. C.	2,500 0 0	754 0 0	1,746 0 0	1 : 3
14. Cont. Chair double for 60 lbs. Rails	4,000 0 0	1,309 0 0	2,691 0 0	1 : 3
15. Key Plates for Axle boxes	20,000 0 0	6,813 0 0	13,187 0 0	1 : 3
16. Shanks. A-6936 Colonial Urinal Single Stall	5,760 0 0	2,157 0 0	3,603 0 0	1 : 3
17. Spares for Drawbars	4,858 0 0	1,962 0 0	2,896 0 0	1 : 2
18. H. S. Spare Blades	11,880 0 0	5,012 0 0	6,868 0 0	1 : 2
19. Composition Flooring	9,120 0 0	3,920 0 0	5,200 0 0	1 : 2
20. Tecalemit Super-hose	3,010 0 0	1,368 0 0	1,642 0 0	1 : 2

[Information furnished by the Directorate-General of Supplies and Disposals.]

APPENDIX 20

UNREALISTIC INDENT DELIVERY PERIODS—EXAMPLES

Serial No.	Store	Date of receipt of indent	Indent delivery period	Time allowed for supply
1	2	3	4	5
1	Superheater Headers . . .	15-12-51	15-11-51	..
2	Bedside Ward-lockers . . .	15-3-52	15-3-52	..
3	Pig Lead . . .	18-9-52	15-9-52	..
4	C. S. Spur-gear for Crane . .	22-9-52	31-7-52	..
5	Passenger Flats . . .	7-10-52	30-9-52	..
6	Gunnies (10 lakhs) . . .	13-6-50	15-6-50	2 days
7	Tyres, Tubes and Flaps . . .	27-4-52	30-4-53	3 days
8	Bridge-erecting Crane . . .	17-3-52	25-3-52	8 days
9	Deodar Planks . . .	31-1-52	10-2-52	10 days
10	Cutters for Emery-wheel Dresser .	21-1-53	31-1-53	10 days
11	Tarpaulines . . .	9-8-52	21-8-52	12 days
12	Pressed Steel Tank . . .	18-1-52	31-1-52	13 days
13	Gunnies (6 lakhs) . . .	12-2-53	28-2-53	16 days
14	Kerosene Lamps . . .	24-10-52	10-11-52	17 days
15	Exhaust Fans . . .	10-6-52	30-6-52	20 days
16	Screwing Machine . . .	10-3-53	31-3-53	21 days
17	Radial Drill . . .	10-3-53	31-3-53	21 days
18	Belting Canvas for Train Lighting	6-6-52	30-6-52	24 days
19	N.S.S. Tipped Tools, etc. . .	6-9-50	1-10-50	25 days
20	Flexible Stay Bushes . . .	28-11-52	25-12-52	27 days

[Information furnished by the Directorate-General of Supplies and Disposals.]

APPENDIX 21

DELAYS IN PREPARATION OF INDENTS—EXAMPLES

Serial No.	Store	Date of Consumers' requisition	Date of indent	Time-lag between 4 and 3		Time allowed for procurement	
1	2	3	4	5	6		
1	Soap . . .	28-11-49	27-10-52	Year 2	Month 11	Month ..	Days 17(50%) 3(50%)
2	Injectors and spares	25-9-50	16-9-52	2	..	4	10

1	2	3	4	5	6	7
				Year	Month	Month Day
3	15-Ton Hydraulic Drop-pit Jacks	21-2-51	28-10-52	1	8	4 18
4	High-speed steel-gear cutters	28-2-49	5-9-50	1	6	6 8
5	Insulators	22-1-49	19-6-50	1	5	4 11
6	Cables	2-2-51	9-6-52	1	4	3 ..
7	Hunt-spiller piston Rings	16-3-51	2-6-52	1	4	5 ..
8	Copper Plates	20-8-51	11-9-52	1	1	6 10
9	Screwing Machine	10-3-52	9-3-53	1	..	.. 21
10	Junction Boxes	25-7-49	7-7-50	..	11	5 23
11	Stake Wire Pulley	31-1-52	26-12-52	..	11	4 ..
12	Spare Parts	18-2-51	31-12-51	..	10	4 28
13	Water Meters	18-8-51	2-6-52 (Express)	..	10	1 11
14	Welding Plant	6-12-51	13-10-52	..	10	5 16
15	Pumping Set	9-1-52	7-11-52	..	10	4 5
16	Cloth Flax Canvas	6-6-52	23-3-53	..	10	1 ..
17	Resistance Grids	9-2-50	31-10-50	..	9	2 ..
18	Junction Fishplates	11-12-51	24-9-52	..	9	2 15
19	Copper Plates	23-1-52	10-10-52	..	9	4 6
20	Rail Anchors	5-2-52	6-11-52	..	9	1 8

[Information furnished by the Directorate-General of Supplies and Disposals.]

APPENDIX 22

Delays in despatch of Indents—Examples.

S. No.	Store	Indent Date	Date of receipt of indent	Time-lag between 3 & 4.	
1.	2.	3.	4.	5.	
				Month	Day.
1.	High-speed Tool Steel. .	7-8-51	26-5-52	9	20
2.	Sprigs.	22-5-51	24-10-51	5	3
3.	Fire boxes.	27-11-51	16-4-53	4	21
4.	Teleprinter Paper. . . .	21-12-50	17-4-51	3	28
5.	Tie Bars.	23-10-51	12-2-52	3	21
6.	Brass Bars.	14-11-51	18-2-52	3	5
7.	Aluminium Sheets. . . .	23-1-52	23-4-52	3	1
8.	Lubricating Oils. . . .	8-4 53	3-7-53	2	26
9.	Engine Wheels.	20-5-53	20-7-53	2	1
10.	Woollen Khaki Putties. . .	11-11-52	8-1-53	1	29
11.	Blanketing Grey Cloth. . .	11-11-52	8-1-53	1	29
12.	Serge blue Woollen Cloth. .	11-11-52	8-1-53	1	29
13.	Pillow Cloth.	2-8-52	29-9-52	1	28
14.	Permanent-way materials . .	22-11-52	30-12-52	1	9
15.	Suice valves.	4-3-53	11-4-53	1	8

[Information furnished by the Directorate-General of Supplies & Disposals.]

APPENDIX 23

STORES ON RATE CONTRACTS

List of stores available against Rate Contracts concluded by the Directorate-General of Supplies and Disposals

Serial No.	Store	No. of Contracts
1	2	3
1	Twist Drills	1
2	Reamers	4
3	Grinding Wheels and Segments	1
4	Fireclay	4
5	Umbrellas (ordinary)	1
6	Umbrellas (Survey and Trolley)	1
7	Automobiles (various) and spare parts	11
8	M. T. Tyres, Tubes and Flaps for Defence and Civil requirements	5
9	Cycle covers and Tubes	4
10	Paper and Board	17
11	Metal Polish	1
12	Cement	6
13	Asbestos Cement Sheets and Accessories	2
14	Stoneware Pipes and Specials	4
15	Expanded Metal	1
16	Safety Matches	2
17	Bicycles	2
18	Hurricane Lanterns	1
19	Abrasives	2
20	Letter Scales and Weights	1
21	Petrol (Motor Spirit)	2
22	Furnace Oil ; Fuel Oil and Diesel Fuel Oil	4
23	Light Hydro-carbon Distillate	1
24	Aviation Gasolines	6
25	Paints, Enamels, Varnishes, Pigments, etc.	20
26	Dissolved Acetylene Gas	2
27	Oxygen Gas	2
28	Nitrous-Oxide Gas	1
29	Methylated Spirit	8
30	Wood Screws	5
31	Washers	7
32	Disinfectant Fluids	5
33	Wood Preservative	1
34	Cresote Oil	1
35	Alumina Sulphate and Alumina Ferric	2
36	Liquid Chlorine	3
37	Soda Ash	1
38	Ext. Pituitarri Liquidum, B.P.	2
39	Liquor Hydrogen Peroxide	1
40	Anhydrous Ammonia	2

1	2	3
41	Calcii Lactas, B.P.	2
42	Aether Anastheticus, B.P.	2
43	Paludrine Tablets 0.3G	1
44	Explosives various	1
45	Potassium Permanganate	2
46	Nikethemidum	1
47	Sodi Bicarb	1
48	Sodi Salicylas	1
49	Vitaminaturm Oil	3
50	Eucalyptus Oil	2
51	Bleaching Powder	1
52	Conduit Pipes and Fittings	8
53	Copper Winding Wire	6
54	VIR Insulated Cables	2
55	Tape Micanite Flexible	2
56	Cast Iron Pipes and Specials	4
57	Pipes and Collars (Reinforced Cement Concrete)	3
58	Poles (Reinforced Cement Concrete)	1
59	Sluice Valves and Tail Pieces	4
60	Water and Steam Fittings	4
61	Water Meters	2
62	Spares for Fordson Tractors and Implements	1
63	House Service Meters (various)	11
64	Cells of Batteries	3
65	Ceiling and Table Fans	11
66	Electric Lamps (various)	10
67	Electrical Accessories	10
68	Road-dressing materials	16
69	Iron Safes and Almirahs	1
70	Rosin	1
71	Mineral Colza Oil	1
72	Liquor Adrenaline Tatratis	1
73	Calcii Gluconas, B.P.	1
74	Calcii Gluconas, 10 percent, B.P.	1
75	Ext. Hapatis Liquidum	1
76	Oleum Terabinthanae	2

APPENDIX 24

STORES ON RUNNING CONTRACTS

List of stores available against Running Contracts concluded by the Directorate-General of Supplies and Disposals

Serial No. 1	Stores 2	No. of Contracts 3
1	Cinematographic raw films	1
2	Spools and Cans of 400 feet capacity for 16 m.m. films	1
3	Petrol (Motor Spirit)	1
4	Petroleum Spirit (Unleaded)	1
5	Furnace Oil, Light Diesel Oil and High Speed Diesel Oil	3
6	Malariol and Malariol 'B'	1
7	White Splrit (Mineral Turpentine)	2
8	Aviation Turbine Oil	1
9	Aviation Turbine Fuel	3
10	Aviation Gasoline	3
11	Power Kerosene	3
12	Turpentine and Rosin	2
13	Kerosene Oil	6
14	Lubricating Oils and Greases	38
15	Axle Oil	4
16	Castor Oil	7
17	Linseed Oil	10
18	Stand Oil	1
19	Acids (various)	24
		<u>112</u>

[Information furnished by the Directorate-General (S&D).]

APPENDIX 25

RATE AND RUNNING CONTRACTS—SUGGESTED ADDITIONAL STORES

List of additional stores for which Rate/Running Contracts should be considered

1. Railway Signalling Cables.
2. Train-lighting Dynamos.
3. Train-lighting Switchgears.
4. Train-lighting Cells.
5. Railway Carriage Fans.
6. Air Compressors.
7. Diesel Engines.
8. Concrete Mixers.

9. Steel Poles for electric transmission.
 10. Spare Parts for Tractors and other Earth-moving Equipment.
 11. Agricultural Implements.
 12. Porcelain Insulators.
 13. Galvanised Iron Pipes.
 14. Piston Rods.
 15. Piston Rings.
 16. Welding Electrodes.
 17. Vacuum Brake Fittings (rubber).
 18. Vacuum Brake Cylinders.
 19. Vacuum Brake Hose Pipes.
 20. Vacuum Brake Hose Clips.
 21. Steel Springs (helical, volute and laminated).
 22. Rubber Springs.
 23. Points and Crossings.
 24. Steel Keys for Railways.
 25. Rail Anchors.
 26. Steel Jaws for Railways.
 27. Cotters for Railways.
 28. Dogspikes for Railways.
 29. Cast-iron Chairs for Railways.
 30. Rodding Points for Railways.
 31. Tie Bars for Railways.
 32. Shapping Machines.
 33. Steel Doors and Windows.
 34. Office Clocks and Time-pieces.
 35. Joinery Fittings.
 36. Paint and Varnish Brushes.
 37. Washing Soap.
 38. Wax Candles.
 39. Asbestos Packing.
 40. Locks and Padlocks.
 41. Scissors (various).
 42. Buckets.
 43. Sal Ammoniac.
 44. Letter Boxes (for Posts and Telegraphs Department).
 45. Bags (for Posts and Telegraphs Department).
 46. Wire-netting.
 47. Wire-fencing.
 48. Blankets and Blanketing Cloth.
 49. Beltings (various).
 50. Cotton Waste.
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APPENDIX 26

METHODS OF PURCHASE

Analysis of contracts placed by the Directorate-General of Supplies and Disposal during the year 1952-53.

Method of purchase	1952-53			
	No. of contracts/supply orders		Value in lakhs of rupees	
(i) By Rate/Running Contracts.	44929	(78.48%)	2,660	(31.94%)
(ii) By Repeat Orders . . .	142	(0.25%)	28	(0.37%)
(iii) Through Single Tender Enquiries.	786	(1.37%)	261	(3.13%)
(iv) Through Limited Tender Enquiries.	8078	(14.11%)	2,351	(28.23%)
(v) Through Open Tender Enquiries.	1641	(2.87%)	882	(10.59%)
(vi) Through Negotiations . .	1425	(2.49%)	2,059	(24.72%)
(vii) Others	246	(0.43%)	85	(1.02%)
TOTAL	57247		8,326	

[Information furnished by the Directorate-General (S & D)].

APPENDIX 27

REFERRING TENDERS TO INDENTORS

Position in regard to tenders referred to the indenting departments by the Directorate General of Supplies and Disposals in respect of indents received in the months of March, August and November, 1952.

Time taken by the indenting authority for reply from the date of reference. !	No. of indent items referred to the indenting Department.	
(i) Two weeks and less	136	(29.24%)
(ii) Between two and four weeks	179	(38.49%)
(iii) Between four and eight weeks	99	(21.29%)
(iv) Over eight weeks	51	(10.98%)
TOTAL	465	
(Out of the total of 10625 indent items for which tenders were invited)		

[Information furnished by the Directorate-General (S & D)].

APPENDIX 28

AUDIT-REQUISITIONING AND FURNISHING OF FILES

Position in regard to 'Audit' requisitions on the Directorate-General of Supplies and Disposals during the months of March and April, 1954.

I. The time-lag between conclusion of contracts' and 'requisition for files' in respect of requisitions received in the month of March 1954—

Time-lag	Nos.
(i) One month or less	27 (3.96%)
(ii) One and two months	109 (16.00%)
(iii) Two and three months	295 (43.31%)
(iv) Three and six months	191 (28.07%)
(v) Beyond six months	59 (8.66%)
	<u>681</u>

[Information furnished by the Directorate-General (S & D)].

II. The time-lag between 'requisition' and its 'compliance' in respect of requisitions made in the month of April, 1954 relating to contracts placed in February, 1954:

Time-lag	Nos.
(i) One week	56 (16.00%)
(ii) One and two weeks	58 (16.57%)
(iii) Two and four weeks	57 (16.25%)
(iv) Four and eight weeks	68 (19.42%)
(v) Beyond eight weeks	111 (31.73%)
	<u>350</u>

[Information furnished by the Accountant-General, Food, Rehabilitation and Supply].

APPENDIX 29
DEPARTMENTAL CHARGES—CENTRAL PURCHASE ORGANISATION

Office	Particulars	1951-52	195-53
	(In thousands of rupees)		
1. Directorate-General of Supplies and Disposals, New Delhi, including the Textile Purchase Branch of the Commissioner, Bombay.	(1) Total Expenditure	1,12,85	1,08,54
	(2) Total recoveries—		
	(a) Actual	1,82,81	1,47,85
	(b) Notional	35,32	24,84
	TOTAL	2,18,13	1,72,69
2. India Stores Departments, London	(3) Difference between (2) and (1)	1,05,28	64,15
	(1) Total Expenditure	45,63	49,76
	(2) Total recoveries—		
	(a) Actual	74,22	89,24
	(b) Notional	1,11	1,24
	TOTAL	75,33	90,48
	(3) Difference between (2) and (1)	29,70	40,72
3. India Supply Mission, Washington. (Information furnished by the Accountant-General, India Store Department, London)			
	Particulars	1951-52	1952-53
	Food items	Food items	Food items
	Non-food items	Non-food items	Non-food items
	TOTAL	TOTAL	TOTAL
	(1) Total expenditure	18,15	-21,16
	(2) Total recoveries—		
	(a) Actual	33,99	20,09
	(b) Notional	46	1,91
	TOTAL	34,45	22,00
	(3) Difference between (2) and (1)	16,30	84

N.A. denotes 'Not available.'

APPENDIX 3C UNCOVERED INDENTS

Position in regard to indent items awaiting coverage through contracts in the Directorate-General of Supplies and Disposals as on the 31st March 1950, 1951, 1952, 1953 and 1954

I. Indent items not covered by contracts.

Period from the receipt of indents	Number of indent items awaiting coverage through contracts as on the 31st of March,	1950	1951	1952	1953	1954
(i) Less than 3 months	19175 (48.61%)	25178 (72.20%)	23893 (78.01%)	14309 (72.23%)	17819	
(ii) Between 3 months and 6 months.	10957 (27.77%)	6811 (19.52%)	2761 (9.01%)	4353 (21.97%)	8647 (28.59%)	
(iii) Between 6 months and 9 months.	3287 (8.33%)	1744 (5.00%)	2861 (9.34%)	1015 (5.12%)	2043 (6.75%)	
(iv) Between 9 months and 12 months.	1045 (2.64%)	800 (2.29%)	1070 (3.49%)	131 (0.66%)	1690 (5.59%)	
(v) Over 12 months	4979 (12.65%)	347 (0.99%)	46 (0.15%)	3 (0.02%)	49 (0.16%)	
TOTAL	39443	34880	30631	19811	30248	

II. The number of indent items received :

1949-50	.	.	.	.	1,03,219
1950-51	.	.	.	.	1,09,586
1951-52	.	.	.	.	1,03,652
1952-53	.	.	.	.	75,145
1953-54	.	.	.	.	93,112

[Information furnished by the Directorate-General (S&D)].

APPENDIX 31

PRE-CONTRACT DELAYS

Analysis of contracts placed by the Directorate-General of Supplies and Disposals in June 1954

Particulars	Number of contracts placed	The number of contracts placed with a time-lag of..... from the date of indents			
		Three months and less	Between three and six months	Between six and nine months	Beyond nine months
<i>Headquarters, at New Delhi :</i>					
Textiles, Lather and Vehicles Directorate.	121	30 (25%)	69 (57%)	8 (7%)	14 (11%)
Miscellaneous and Chemicals Stores Directorate.	210	29 (14%)	72 (34%)	43 (21%)	66 (31%)
Engineering Stores Directorate	288	36 (13%)	84 (29%)	82 (28%)	86 (30%)
Railway Stores Directorate	393	62 (16%)	143 (36%)	145 (37%)	43 (11%)
<i>Regional Offices :</i>					
Director of (S& D), Calcutta	247	63 (25%)	111 (45%)	44 (18%)	29 (12%)
Director of (S& D), Bombay	194	39 (20%)	67 (35%)	72 (37%)	16 (8%)
Director of Supplies (Textiles), Bombay	80	32 (40%)	19 (24%)	14 (18%)	15 (18%)
Dy. Director (S& D), Madras	22	3 (14%)	14 (64%)	1 (4%)	4 (18%)
TOTAL	1555	294 (19%)	579 (37%)	409 (26%)	273 (18%)

[Information furnished by the Directorate-General (S& D)].

APPENDIX 32

DELAYS IN ISSUE OF ENQUIRIES

Position with regard to the indents received by the Director General of Supplies and Disposals during the months of March, August and November, 1952.

Time taken for the issue of invitations to tender from the date of receipt of indents in the supply Sections	Number of indent items		Value of the items	
			Rs.	
(i) Less than one month	8252	(77·66%)	6,13,30,789	(70·98%)
(ii) Between one and two months	945	(8·89%)	1,10,85,410	(12·83%)
(iii) Between two and three months	248	(2·34%)	25,98,994	(2·97%)
(iv) Over three months	1180	(11·11%)	1,14,20,068	(13·22%)
TOTAL	10625		8,64,35,261	

[Information furnished by the Directorate-General (S & D)].

APPENDIX 33

DELAYS IN CONSIDERATION OF TENDERS

Position with regard to indent items received by the Directorate-General of Supplies and Disposals during the months of March, August and November, 1952

Time taken for placing of contracts from the date of receipt of tenders	Number of indent items		Value	
			Rs.	
(i) Less than four weeks	3913	(37·49%)	3,32,91,388	(39·09%)
(ii) Between four and eight weeks	1948	(18·66%)	1,60,44,163	(18·84%)
(iii) Between eight and sixteen weeks	1399	(13·40%)	1,34,06,722	(15·74%)
(iv) Over sixteen weeks	3178	(30·45%)	2,24,17,468	(26·33%)
TOTAL	10438		8,51,59,741	

Out of 10625 indent items received during the period for which tenders were invited, 187 items were subsequently withdrawn by the indentors.

[Information furnished by the Directorate-General (S&D)].

APPENDIX 34

DELAYS IN PLACING FORMAL ORDERS

Position in respect of formal orders issued by the Directorate-General of Supplies and Disposals during the month of June 1954

Time taken in placing formal orders after issue of advance acceptances.	No. of formal orders issued
(i) Less than one week	22 (3.53%)
(ii) Between one and two weeks	70 (11.24%)
(iii) Between two and four weeks	193 (30.98%)
(iv) Over four weeks	338 (54.25%)
TOTAL	623

[Information furnished by the Directorate-General (S&D).]

APPENDIX 35

DELAYS IN SUPPLY BEYOND CONTRACT SCHEDULES

Position in regard to contracts placed by the Directorate-General of Supplies and Disposals during the months of March, September and November 1953

	No.	Value (Rs.).
(i) Contracts placed	2,676	7,47,70,873/-
(ii) Contracts completed in time	686	1,17,66,121/-
(iii) Balance, necessitating 'extension' of the delivery period	1,990	6,30,62,752/-
(iv) Percentage of (iii) to (i)	74.36	84.34

[Information furnished by the Directorate-General (S&D).]

APPENDIX 36

EXTENSION TO CONTRACT DELIVERY PERIODS—DELAY IN ISSUE OF AMENDMENTS.

Position in respect of amendments issued in the month of September, 1953, by the Directorate-General of Supplies and Disposals.

Time taken from receipt of request to issue of amendment	Number
(i) 15 days and less	279 (33.98%)
(ii) Between 15 days and one month	291 (35.44%)
(iii) Between one and two months	126 (15.36%)
(iv) Between two and three months	52 (6.33%)
(v) Over three months	73 (8.89%)
TOTAL	821

[Information furnished by the Directorate-General (S&D).]

APPENDIX 37

ARBITRATION CLAUSE APPLICABLE TO SUPPLY CONTRACTS

ARBITRATION.

"In the event of any question or dispute arising under these conditions or any special conditions of contract or in connection with this contract (except as to any matters the decision of which is specially provided for by these conditions) the same shall be referred to the award of an arbitrator to be nominated by the Purchaser and an arbitrator to be nominated by the Contractor, or in case of the said arbitrators not agreeing then to the award of an Umpire to be appointed by the arbitrators in writing before proceeding on the reference and the decision of the arbitrators, or in the event of their not agreeing, of the Umpire appointed by them, shall be final and conclusive and the provisions of the Indian Arbitration Act, 1940, and of the Rules thereunder and any Statutory modification thereof shall be deemed to apply to and be incorporated in this contract.

Upon every and any such reference, the assessment of the costs incidental to the reference and award respectively shall be in the discretion of the arbitrators or in the event of their not agreeing, of the Umpire appointed by them.

Work under the contract shall, if reasonably possible, continue during the arbitration proceedings, and no payment due to or payable by the Purchaser shall be withheld on account of such proceedings.

The venue of arbitration shall be the place from which the Acceptance Note is issued or such other place as the Purchaser at his discretion may determine."

[Reproduced from Form No. W.S.B. 133—General Conditions of Contract applicable to Department of Supply (Purchase Branch) Contracts.]

APPENDIX 38

MAJOR INSPECTION AGENCIES

1. *Major Inspection Agencies responsible for inspection of stores ordered by the Directorate General of Supplies and Disposals.*

<i>Inspection of Agencies</i>	<i>Stores</i>
1. Directorate of Technical Development attached to the Master-General of Ordnance, Army Headquarters.	(a) All requirements of the Defence Service (including Medical and Surgical stores) except certain common-user items. (b) Raw timber for Defence and Civil indentors except Railways. (c) Jute and jute goods for all Civil and Defence indentors.
2. Directorate-General of Health Services, Ministry of Health.	All Medical & Surgical stores required by the Directorate-General, Health Services.
3. Sleeper Control Group, Ministry of Railways.	Raw Timber requirement of Railways.
4. Principal Officers, Mercantile Marine, in various ports.	Sea and River Crafts required by Railways and other Civil indentors.
5. Controller of Printing and Stationery.	Paper for all Civil indentors.
6. Inspection Wings of the Directorate-General of Supplies and Disposals.	All other stores including certain common-use items for the Defence Services.

II.—*Value of stores inspected by the Inspection Wing of the Directorate-General of Supplies and Disposals.*

	1938-39	1949-50	1950-51	1951-52	1952-53
	(In lakhs of rupees)				
(a) Departmental contracts.	6.37	40.35	42.81	51.27	52.30
(b) Non-departmental contracts	1.79	24.87	25.15	28.92	34.19
TOTAL	8.16	65.22	67.96	80.19	86.49

[Information furnished by the Directorate-General (S&D).]

APPENDIX 39

DELAYS IN DEPUTING INSPECTORS

Position in respect of inspection of stores relating to Inspection Notes issued by the Directorate-General of Supplies and Disposals during the months of March August and November 1952.

Time-lag between the receipt of supplier's request and the commencement of inspection of stores

(i) Less than 3 days	5252	(75.88%)
(ii) Between 3 and 7 days	940	(13.59%)
(iii) Between 7 and 14 days	454	(6.55%)
(iv) Over 14 days	275	(3.98%)
TOTAL	6921	

[Information furnished by the Directorate-General (S&D).]

APPENDIX 40

DELAYS IN INSPECTION OF STORES

Position revealed by the Inspection Notes attached to the advance 80/90 per cent bills received in the office of the Accountant-General, Food, Rehabilitation and Supply, during the months of March, August and November, 1952, against contracts placed by the Directorate-General of Supplies and Disposals.

Time-lag between the date of inspection of stores and the issue of Inspection Notes	Number of Inspection Notes.		Value of the stores involved	
			Rs.	
(i) Less than one week . . .	5,099	(39·08%)	4,22,51,806	(44·01%)
(ii) Between one and two weeks . . .	2,524	(19·33%)	1,65,71,906	(17·26%)
(iii) Between two and four weeks . . .	2,364	(18·11%)	1,63,30,651	(17·01%)
(iv) Between four and eight weeks . . .	2,004	(15·35%)	1,42,97,337	(14·88%)
(v) Between eight and sixteen weeks . . .	701	(5·37%)	43,05,733	(4·48%)
(vi) Over sixteen weeks . . .	355	(2·76%)	20,81,440	(2·36%)
TOTAL . . .	13,047		9,58,38,873	

[Information furnished by the Accountant-General, Food, Rehabilitation and Supply.]

APPENDIX 41

DISPOSAL OF SURPLUS STORES

Particulars	1950-51	1951-52	1952-53	Total
I	2	3	4	5
(Value in lakhs of rupees)				
I. Book-value of surplus stores declared to the Central Disposals Organisation—				
(A) War surpluses including American surpluses . . .	23,94·49	9,42·13	23·37	33,59·99
(B) Others	1,80·98	8,64·93	8,27·32	18,73·23
(C) TOTAL OF (A) and (B)	25,75·47	18,07·06	8,50·69	52,33·22

APPENDIX 41—*Conld.*

Particulars 1	1950-51 2	1951-52 3	1952-53 4	TOTAL 5
II. Value of surplus stores disposed of—				
Value in lakhs of rupees				
(A) War surpluses including American surpluses :				
(i) Book-value . . .	32.45	13,23.18	7,44.51	53,12.69
(ii) Sale value . . .	11,81.36	3,89.79	1,07.1	16,78.25
(B) Others :				
(i) Book-value . . .	2,00.80	4,86.54	2,92.73	9,80.07
(ii) Sale value . . .	64.65	1,60.71	1,30.93	3,56.29
(C) TOTAL OF (A) and (B) :				
(i) Book-value . . .	34,45.80	18,09.72	10,37.24	62,92.76
(ii) Sale value . . .	12,46.01	5,50.50	2,38.03	20,34.54
III. Utilisation of surpluses—				
(A) Value of Buildings & Fixtures taken over by :				
(i) Government Agencies—				
(a) Book-value . . .	6,22.70	1,15.59	1,10.24	8,48.53
(b) Sale value . . .	88.57	13.57	11.88	1,14.02
(ii) Other priority indentors—				
(a) Book-value . . .	..	..	..	..
(b) Sale value . . .	..	..	..	..
(B) Value of other stores utilised :				
(i) By Government Agencies—				
(a) Book-value . . .	6,10.05	4,92.01	4,14.50	15,16.56
(b) Sale value . . .	1,22.48	1,16.07	66.06	3,04.61
(ii) By other priority indentors—				
(a) Book-value . . .	1,32.88	1,87.54	95.24	4,15.66
(b) Sale value . . .	43.65	60.77	15.89	1,20.31
(iii) Against normal indents received in the Directorate-General of Supplies and Disposals—				
(a) Book-value . . .	..	..	0.31*	0.31*
(b) Sale value . . .	..	..	0.06†	0.06†
(iv) TOTAL OF (i), (ii) & (iii):				
(a) Book-value . . .	7,42.93	6,79.55	5,10.05	19,32.53
(b) Sale value . . .	1,66.13	1,76.84	82.01	4,24.98
(C) TOTAL OF (A) and (B) :				
(a) Book-value . . .	13,65.63	7,95.14	6,20.29	27,81.06
(b) Sale value . . .	2,54.70	1,90.41	93.89	5,39.00

*Rs. 31,138

†Rs. 6,229

[Information furnished by the Directorate-General (S & D).]

APPENDIX 43

WORK-LOAD ON THE SUPPLY WING OF THE DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS DURING THE YEAR 1952-53**(i) The number of indents and indent items received—**

(a) Indents	13,832
(b) Indent items	75,145
(ii) The number of enquiries issued for tenders	8,506
(iii) The number of tenders received	68,459
(iv) The number of contracts placed	13,696*
(v) The number of letters received	8,48,103
(vi) The number of letters issued	5,67,073

*Includes 1,378 Supply Orders placed by the Directorate-General (S&D) but excludes the Supply Orders placed by Direct Demanding Officers against Rate/Running contracts.

[Information furnished by the Directorate-General (S&D).]

APPENDIX 44

SCALES OF PAY—DIRECTORATE-GENERAL OF SUPPLIES AND DISPOSALS

Post	Prescribed scales of pay
Director-General (Supplies and Disposals)	Rs. 2,250—(Rs. 3,000 for an incumbent governed by pre-1931 Rules.)
Deputy Director-General	Rs. 1,800—100—2,000.
Director	} 1,300—60—1,600.
Officer on Special Duty (Rolling Stock)	
Deputy Director (Administration)	{ Posts included in Grade I of the Central Secretariat Service. (i) Rs. 1,000—50—1,250 (plus special pay Rs. 50) for pre-1931 entrants. (ii) Rs. 800—50—1,150 for post-1931 entrants.
Deputy Director (Co-ordination)	
Deputy Director	{ Rs. 600—40—1,000—1,000—1,050—1,050— 1,100—1,100—1,150.
Officer on Special Duty (Cottage Industries)	
Metallurgist	
Assistant Director, Grade I	{ Rs. 350—350—380—380—30—590/E.B.—30 —770—40—850.
Assistant Metallurgist (Grade I)	
Inspecting Officer	
Assistant Director (Grade II)	{ Rs. 325—25—500—30—590.
Assistant Inspecting Officer	
Assistant Metallurgist (Grade II)	
Field Officer (Disposals)	

Section Officer—

- (i) Grade II, Central Secretariat Service (i) Rs. 600—40—800 for pre-1931 entrants.
Rs. 530—30—800 for post-1931 entrants.
- (ii) Grade III, Central Secretariat Service (ii) Rs. 275—25—500.

[Information furnished by the Directorate-General (SD).]

APPENDIX 45

TENDER DECISIONS—ROUTING OF PURCHASE CASES

Processing of purchase cases after initiation by Assistant Directors through various levels up to the stage of final decision — Information relating to purchase decisions taken on 2,567 tenders received during the months of March, August and November 1952.

Present position—Routing of cases decided by :—						Grades of officers	Number of cases dealt with at present by officers in Col. 7	Number of cases that would be dealt with by eliminating intermediary officers marked	Difference between Col. 8 & 9 reduction	Per-centage
Asstt. Director	Deputy Director	Director	Deputy Director General	Director General	Ministry					
I	2	3	4	5	6	7	8	9	10	11
AD 990	AD 439	AD 538	AD 355	AD 76	AD 169	AD	2567	2567	Nil	Nil
	DD 439	*DD 538	DD 355	*DD 76	*DD 169	DD	1577	794	783	49.6
		Dir. 538	*Dir. 355	Dir. 76	Dir. 169	Dir.	1138	783	355	31.2
			DDG 355	*DDG 76	*DDG 169	DDG	600	355	245	40.8
			DG	DG 76	DG 169	DG	245	245	Nil	Nil
					Min. 169	Min.	169	169	Nil	Nil

*Links proposed to be eliminated.

APPENDIX 46

PURCHASES BY THE HEADQUARTERS AND REGIONAL OFFICES OF THE DIRECTORATE-GENERAL OF SUPPLIES AND DISPOSALS DURING THE YEAR 1952-53

	Number of indents		Number of indents		Number of items		Orders placed		
	1	2	3	4	5	6	7	8	9
							Number	Value (in lakhs of rupees)	
Directorate-General (S&D), New Delhi		10,145 (73.34%)	60,702 (80.78 %)	53,052 (92.67%)	6,997 (84.04%)				
2. Directorate of Supplies and Disposals, Calcutta		1,837 (13.28%)	7,708 (10.26%)	2,311 (4.04%)	1,201 (14.42)				
3. Directorate of Supplies and Disposals, Bombay		1,148 (8.30%)	5,038 (6.70%)	1,221 (2.13%)	95 (1.14%)				
Directorate of Supplies and Disposals, Madras		702 (5.08%)	1,697 (2.26%)	663 (1.16%)	33 (0.40%)				
TOTAL		13,832	75,145	57,247	8,326				

Including Supply Orders placed by Direct Demanding Officers against Rate (Running Contracts.

[Information furnished by the Directorate-General (S&D).]

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